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Imagination Materialized . . .

Innovative Aluminum and Packaging Solutions Worldwide

Profile

Alcan Inc., a Canadian corporation, is a \$13-billion organization and the parent company of an international group operating in the aluminum and packaging sectors. Alcan's unique strengths lie in its expansive network of operations with 53,000 dedicated employees, a global customer base, innovative products and advanced technologies. With a strong commitment to the highest standards in all aspects of its operations, the Company is a valued corporate partner to its stakeholders.

Alcan is:

- A strongly competitive producer of primary metal through its unique combination of power generation capabilities, raw materials management and low-cost smelting capacity;
- A global force in aluminum fabrication, with low-cost rolling operations, leadership in can stock and a wide array of value-added engineered products;
- The largest converter of flexible packaging in Europe and one of the world's leading suppliers of packaging materials for the fast moving consumer goods, pharmaceutical and cosmetics industries;
- An innovative solutions provider through the development of strategic customer partnerships such as in the automotive/transportation sector.

Alcan Inc. is a multicultural, multilingual organization with a presence in some 40 countries. Alcan's shares are traded internationally and are listed on the New York, Toronto, London, Frankfurt and Swiss stock exchanges. The word ALCAN and the Alcan symbol are registered trademarks in more than 100 countries.

Alcan's Name Change

On March 1, 2001, Alcan Aluminium Limited changed its name to Alcan Inc. The new name was selected by the Board of Directors pursuant to the authority conferred by the shareholders' resolution, which was adopted on November 22, 1999.



Highlights of the Year

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The information presented throughout this report includes data of Alusuisse Group Ltd (algroup) only since the completion of the merger in October 2000.

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AR 61

March 20, 2000

Dear Alcan Shareholders,

Alcan's 1999 Annual Report discusses the proposed three-way merger between Alcan, Pechiney and algroup (provisionally called A.P.A.) and its status as of February 10, 2000.

On March 14, the three companies issued a press release outlining recent developments in the European Commission approval process of the proposed merger. That press release read as follows:

Following discussions with the European Commission's Merger Task Force (MTF), Alcan (NYSE, TSE : AL) , Pechiney (NYSE, Paris : PY) and algroup (SWX : ALUN) today announced that they will take the opportunity to review the Alcan – Pechiney application while proceeding with the Alcan – algroup application as presented. The European Commission is expected to rule on the Alcan – algroup application on or before March 22, 2000.

The Parties have today advised the Commission of their intention to withdraw the Alcan – Pechiney application from the European Commission process and to terminate the three-way combination agreement as it relates to Pechiney. The companies' objective is to secure the necessary time to review the Commission's concerns in greater detail and investigate alternatives that would satisfy the Commission as well as the companies, and to enable the companies to submit a new application.

The focus of the three companies remains on completing the three-way merger as it presents significant value to their shareholders, employees and customers. While neither the launch nor the completion of the algroup exchange offer is conditional upon the Pechiney exchange offer, Alcan's current intention is that the launch of both will be coordinated so that they will coincide to the extent practicable and in accordance with the required regulatory approvals.

Submitting a new application is possible under European Commission regulations and has been done in other cases in order to address concerns raised by the Commission.

We will continue to keep you informed.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "John R. Evans".

John R. Evans
Chairman of the Board

A handwritten signature in blue ink, appearing to read "Jacques Bougie".

Jacques Bougie
President and Chief Executive Officer

1 > Highlights of the Year

	2000	1999	1998
Financial Data			
(in millions of US\$, except where indicated)			
Sales and operating revenues	9,148	7,324	7,789
Net income	618	460	399
Economic Value Added (EVA®) ¹			
Excluding purchase accounting adjustments ²	153	(111)	(285)
Including purchase accounting adjustments ²	19	N/A	N/A
Return (%) on average common shareholders' equity	10	9	7
Total assets (at year-end)	18,407	9,849	9,901
Capital investments	1,735	1,298	877
Ratio of borrowings to equity (at year-end)	33:67	21:79	24:76
Per common share (in US\$)			
Net income	2.45	2.06	1.71
Dividends	0.60	0.60	0.60
Price on NYSE (at year-end)	34.19	41.38	27.06
Operating Data			
(in thousands of tonnes)			
Ingot products shipments ³	974	859	829
Rolled products shipments ^{4, 5}	2,183	1,924	1,892
Aluminum used in engineered products and packaging	352	302	220
Primary aluminum production	1,562	1,518	1,481
Average LME Three-Month Price			
(in US\$/tonne)			
	1,567	1,388	1,379

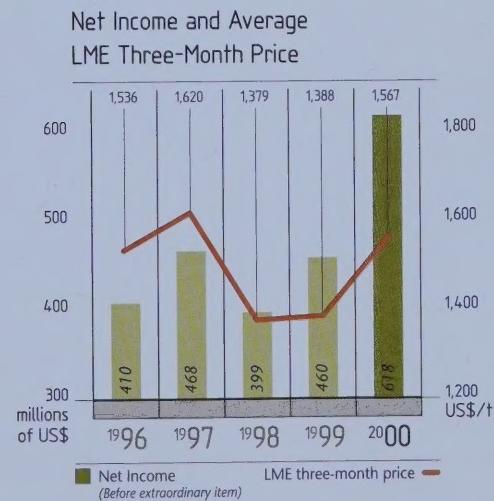
¹ EVA is a registered trademark of Stern Stewart & Co.

² Goodwill and asset revaluation related to the algroup merger, as well as depreciation and amortization.

³ Includes primary and secondary ingot and scrap, as well as shipments from metal trading activities.

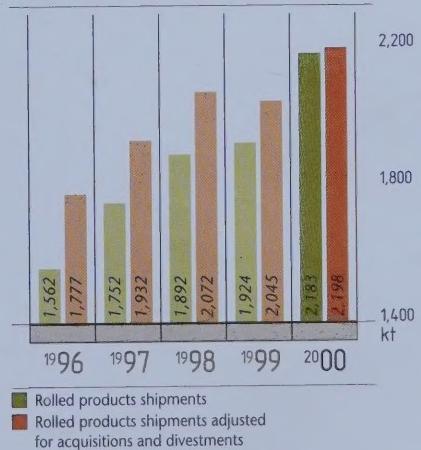
⁴ Includes conversion of customer-owned metal.

⁵ Includes foil products for 1998 only; foil operations have been reclassified to the packaging segment for 1999 and 2000.



With higher metal prices, continued progress under the Full Business Potential program and the inclusion of algroup for the fourth quarter, net income in 2000 was 34% higher than in the previous year.

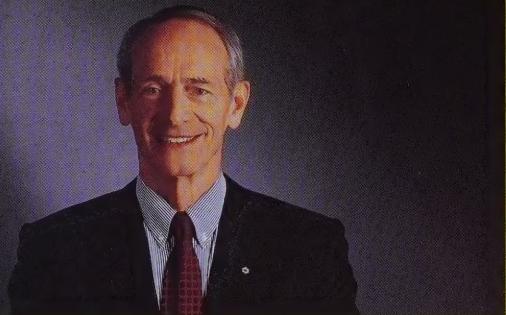
Rolled Products Shipments[†]



Rolled products shipments have increased by more than 40% over the last five years.

[†] Includes conversion of customer-owned metal and includes foil products for 1996, 1997 and 1998; foil operations have been reclassified to the packaging segment for 1999 and 2000.

Message to Shareholders



John R. Evans,
Chairman of the Board



Our Strategic Priorities

- › *Manage a smooth transition to the new Alcan.*
- › *Surpass our targets for earnings improvement programs and merger synergies.*
- › *Position Alcan as the global partner of choice in both aluminum and packaging, perceived as No. 1 in the eyes of customers.*
- › *Maintain profitable growth momentum and achieve our governing objective to maximize shareholder value.*

The year 2000 ended on a high note with our successful conclusion of the Alcan-algroup merger. By combining the complementary strengths of these two outstanding organizations, the new Alcan has emerged as a dynamic global leader in both aluminum and packaging with annual revenues of approximately \$13 billion — plus exceptional upside potential in terms of future growth and value creation.

Enhanced competitive position – new growth platform

With 53,000 employees in some 40 countries, Alcan benefits from enhanced competitive positions in key sectors such as:

- Primary metal — maintaining a low-cost position in primary aluminum;
- Aluminum fabrication — with low-cost, high-quality rolling operations, plus leadership in can stock globally and value-added products in Europe;
- Automotive — where we now enjoy industry leadership in both Europe and North America as a provider of aluminum solutions to major automakers such as Audi/Volkswagen, Ford and General Motors;

- Packaging — a significant new growth platform for Alcan, underpinned by established leadership in food flexible, pharmaceutical, cosmetics/personal care and other specialty areas.

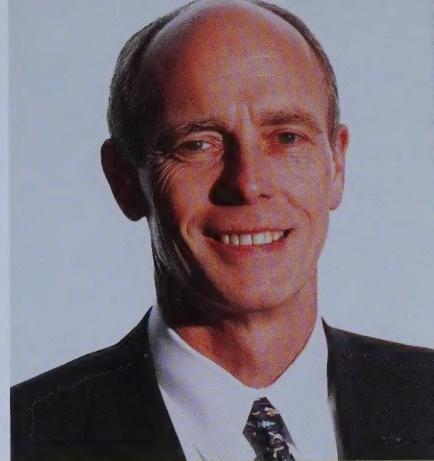
In short, the new Alcan is a cutting-edge organization with a remarkable combination of talented people, innovative products and advanced technologies. It is uniquely equipped to devise creative solutions to meet customers' needs — a capability we like to think of as *Imagination Materialized*.

Increased earnings

Continued progress in Alcan's Full Business Potential (FBP) earnings improvement program, increased fabricated products volumes and higher average metal prices contributed to a significant increase in earnings for 2000. The Company generated consolidated net income of \$618 million, an increase of 34% from 1999. Those results incorporate the operations of the former algroup for the fourth quarter of 2000, and include non-cash, merger-related charges of \$60 million.

Synergies greater than anticipated

The merger integration process got off to a running start and is progressing very well. Management now expects total synergies of some \$200 million, 33% higher than originally anticipated. Furthermore, integration costs will be considerably lower, \$100 million versus an earlier estimate of \$150 million.



Travis Engen,
Alcan's new President and CEO

Effective March 12, 2001, Travis Engen is appointed Alcan's new President and Chief Executive Officer (CEO). Prior to assuming this post, Mr. Engen was chairman and chief executive of ITT Industries, Inc. He has been a member of Alcan's Board of Directors since 1996.

Expressing the unanimous support of the Board for the appointment, Dr. John Evans, Chairman, said Mr. Engen is "a proven international business leader with a solid record of achievement, a wealth of manufacturing know-how and a reputation for nurturing successful customer relationships." He noted that Mr. Engen already had gained a strong appreciation of Alcan's global business from his service as a member of the Board. "Sometimes, you are fortunate to find the optimal candidate close to home."

Customer-focused business groups

Alcan's customer-focused business groups — Primary Metal; Aluminum Fabrication, Americas and Asia; Aluminum Fabrication, Europe; and Packaging — are responsible for value creation within their respective markets. They provide the business leadership for growth and assume the operating oversight to deliver profitably and meet customer, shareholder and employee expectations.

Continued progress on profit improvement

The continued progress of profit improvement programs is impressive throughout Alcan and former algroup operations. Alcan's FBP program has achieved \$580 million over the four years since its inception, including \$150 million during 2000. Alcan also showed substantial improvement in terms of Economic Value Added (EVA[®]) for the year under review, generating *positive* EVA of \$153 million (excluding the merger-related revaluation of assets and goodwill) compared with a *negative* \$111 million in 1999.

An even more aggressive earnings improvement program, which now includes the former algroup operations, has been adopted for 2001 and 2002, with targets based on EBITDA (earnings before interest, taxes, depreciation and amortization), another key measure of financial performance.

50th anniversary on NYSE

The year 2000 also marked the 50th anniversary of Alcan's listing on the New York Stock Exchange (NYSE), on June 1, 1950. Key customers as well as senior Alcan executives and customer-relationship managers were in New York to celebrate the anniversary — and to hear an announcement confirming that the Alcan-algroup merger would proceed.

Information regarding other significant milestones and achievements of 2000 — including the successful start-up of the new smelter at Alma, Quebec, the acquisition of Aluminium of Korea Limited and the ramp-up of operations at our Pindamonhangaba rolling mill in Brazil — can be found in this document, in the messages of the four business group presidents.

Acknowledgements

On January 10, 2001, the Board of Directors accepted with regret the resignation of Jacques Bougie, who had served as President and Chief Executive Officer (CEO) for seven years. On February 26, 2001, the Board announced the appointment of Travis Engén, formerly chairman and chief executive of ITT Industries, Inc., as Alcan's new President and CEO, effective March 12, 2001. During the transition period, we were able to forge ahead with the merger-integration process and the implementation of other strategic initiatives, thanks to the efforts of a very strong senior management team overseen by interim President and CEO W. R. C. Blundell.

Once again, in the year 2000, it was the drive and commitment of people that made possible our accomplishments. On behalf of the Board, I'd like to thank employees throughout the organization for their contributions to the success of their respective business units and functions, and for helping bring about a smooth, speedy integration. If we are to achieve our goals and realize our full potential, we must strive to be the best at everything we decide to do by being value- and customer-driven, results-oriented, proactive, innovative and open-minded. People clearly remain the single most important asset of Alcan.

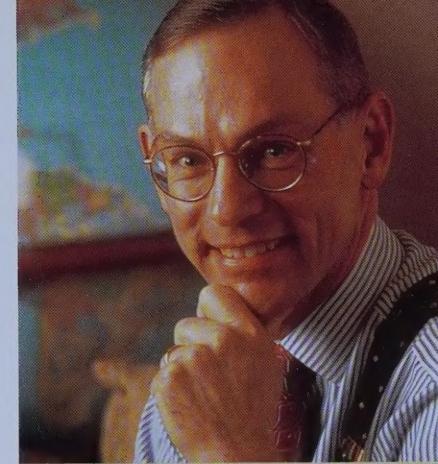
I would also like to acknowledge the guidance and support received from other members of the Board of Directors during what can rightly be termed a historic year for Alcan. Special thanks are due to the directors who have retired from the Board: Warren Chippindale, Eleanor R. Clitheroe, Allan E. Gotlieb, Sir George Russell and, of course, Jacques Bougie, each of whom has made a valuable contribution. We welcome four new directors who joined our Board following completion of the Alcan-algroup merger: W. R. C. Blundell, who is the retired chairman of Manulife Financial and earlier served as chairman and CEO of GE Canada; Martin Ebner, chairman of the board of directors of BZ Group Holding Limited and chairman of the board of directors of Lonza Group Ltd.; Rupert Gasser, executive vice president of Nestlé S.A. and a director of various companies within the Nestlé group; and Willi Kerth, a director of Alusuisse Swiss Aluminium Ltd.

Outlook

The Alcan-algroup merger represents an exciting new chapter in our corporate history — another major step in the pursuit of our governing objective, which is to maximize shareholder value.

To properly reflect the increasingly diverse nature of its activities — particularly in the packaging sphere — the Company's name has been changed from Alcan Aluminium Limited to Alcan Inc., as of March 1, 2001.

Although weaker economic conditions, particularly in the United States, reduced near-term demand for aluminum last year, the Company should continue to benefit from strategic actions taken previously and those currently in progress as 2001 unfolds. Indeed, going forward, Alcan expects to realize significant benefits from its aggressive profit-improvement initiatives as well as the positive impact of merger synergies. The Board is strongly supportive of the Company's strategic direction and has full confidence in the ability of the management team to successfully implement that strategy, in order to achieve continued profitable growth and enhanced shareholder value.



Jacques Bougie: Lasting contributions

In accepting the resignation of Jacques Bougie, effective January 10, 2001, the Board of Directors expressed its appreciation for the distinguished leadership and lasting contributions Mr. Bougie made to Alcan during a career that spanned more than 20 years — including 10 years as President during seven of which he also served as CEO.

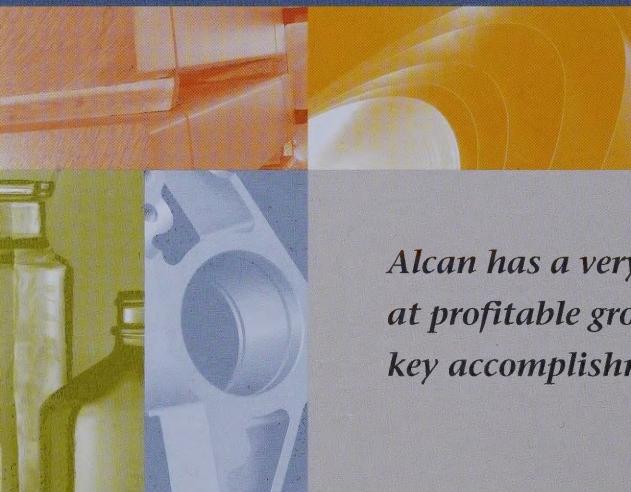
"From the pivotal repositioning of Alcan's assets to the drive to realize the full potential of our operations and the evolution of the Company into a global leader in both aluminum and packaging, Mr. Bougie certainly made his mark," the Board noted. "He leaves Alcan at a new level of performance with enhanced opportunities for the future. We wish him and his family well."

A handwritten signature in black ink that reads "John R. Evans".

John R. Evans
Chairman of the Board

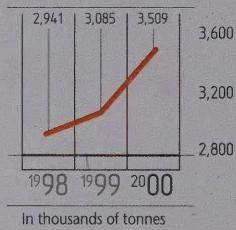
March 1, 2001

The Alcan Group's Businesses at a Glance

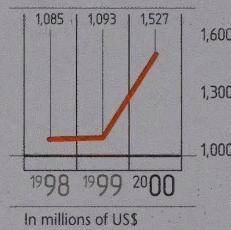


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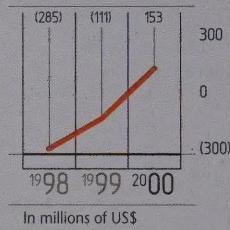
Alcan's Total Aluminum Volume[†]



Alcan's EBITDA from Operations



Alcan's Economic Value Added^{††}



[†] Total Aluminum Volume includes ingot and rolled products shipments, conversion of customer-owned metal as well as aluminum used in engineered products and packaging.

^{††} EVA excluding algroup purchase accounting adjustments.

- › Net income was up **34%**.
- › The merger with algroup was successfully completed and post-merger integration is proceeding very well with expected synergies increased by **33%**, from \$150 million to \$200 million.
- › Economic Value Added (EVA), excluding purchase accounting adjustments, was \$153 million, a **\$264-million improvement** over 1999.
- › Alcan has achieved **\$580 million** towards its five-year, \$1-billion Full Business Potential (FBP) program. The balance has been incorporated into a more aggressive EBITDA earnings improvement program for 2001 and 2002.
- › Operations at the new 400-kt annual capacity smelter in **Alma, Quebec**, were successfully started up. When in full operation later this year, this state-of-the-art smelter will be **one of the lowest cost** smelters in the world.
- › The integration of the newly acquired **Aluminium of Korea Limited** with the operations of Alcan Taihan Aluminum Limited is well underway and positions Alcan as the **lowest cost producer** of can sheet in Asia.
- › Following the completion of the expansion of the Pindamonhangaba rolling mill in **Brazil**, Alcan reached a **new record in recycling** of used beverage cans with **29% of all cans recycled** in Brazil.
- › At **1.6 Mt**, primary metal production reached its best year ever, with record third-party sales in North America and a major improvement in on-time delivery.
- › Continuous improvement in our management systems was a prime focus in 2000. This approach led to better **environmental control practices** and further positive changes in workplace **health and safety**.
- › Alcan and some 20 other leading metals and mining companies joined together to launch an **e-Commerce marketplace**, now known as **Quadrem**. This initiative will be key to refining Alcan's **global procurement** strategies and to maximizing our FBP.
- › Rolled products shipments worldwide, at **2.2 Mt**, increased over 1999, with major improvements in sheet shipments in Europe.
- › Fabricated products shipments, including tolling, for Americas and Asia increased 11% over 1999 levels to a record **1.6 Mt**.
- › Alcan's packaging operation is now one of the world's largest in its category with over **\$3 billion** in annual sales.
- › Alcan is a **world leader** in automotive aluminum — the fastest growing market for aluminum — with leadership positions in North America and Europe.

A Global Presence

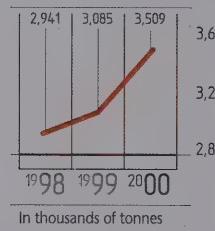


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The Alcan Group's Businesses at a Glance

Alcan has a very clear strategic focus, aimed at profitable growth, as evidenced by certain key accomplishments during 2000.

Alcan's Total Aluminum Volume[†]



Alcan's EBITDA[‡] from Operations



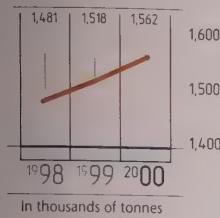
Alcan's Economic Value Added^{††}



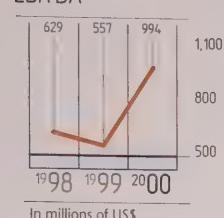
[†] Total Aluminum Volume includes ingot and rolled products shipments, conversion of customer-owned metal as well as aluminum used in engineered products and packaging.

[‡] EVA excluding algroup purchase accounting adjustments.

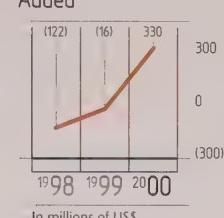
Primary Aluminum Production



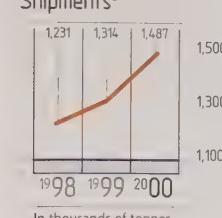
Operating Segment's EBITDA



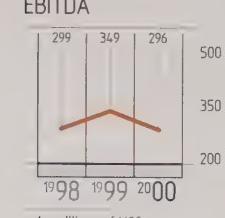
Economic Value Added¹



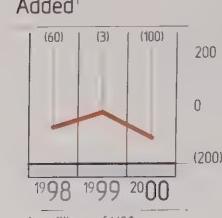
Rolled Products Shipments³



Operating Segment's EBITDA



Economic Value Added¹



Operations

- 15 smelters in 7 countries with over 2.2 Mt of ultimate rated capacity, including the Alma, Quebec, smelter.
- 8 alumina plants in 5 countries with 5.3* Mt of annual capacity, including specialty chemicals.
- 9 bauxite mines/deposits in 6 countries with 422* Mt of proved ore reserves.

In addition to the sales of bauxite, alumina and specialty chemicals indicated above, Alcan's non-aluminum products account for \$99 million in sales.

* As at January 2001, reflects 100% ownership of Gove assets in Australia.

2000 Highlights

- 1.6 Mt of ingot produced.
- 1.0 Mt of ingot purchased.
- \$1.3 billion (758 kt) in primary ingot third-party sales.
- 3.9 Mt of alumina hydrate produced.
- \$403 million in alumina and chemicals third-party sales.
- 9.4 Mt used.
- \$100 million in bauxite third-party sales.

Primary Metal

Operations

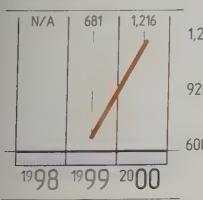
- 33 food flexible and foil plants.
- 43 pharmaceutical, cosmetics and personal care plants.
- 9 specialty packaging plants.
- Total:
Over 85 plants in 14 countries.

2000 Highlights

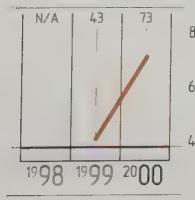
- \$922 million in sales.
- \$210 million in sales.
- \$84 million in sales.
- \$1.2 billion in sales.

Packaging

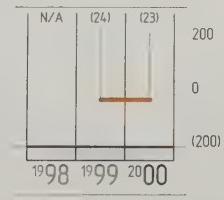
Third-Party Revenues²



Operating Segment's EBITDA²



Economic Value Added^{1,2}



Aluminum Fabrication, Americas and Asia

Operations

- 17 rolled (sheet and light gauge) products plants.
- 11 engineered products plants*.
- Total:
28 plants in 7 countries.

* Includes cable, extrusions and engineered cast products.

2000 Highlights

- \$3.4 billion (1,487 kt) in sales, including conversion of customer-owned metal.
- \$0.5 billion (161 kt) in sales.
- 1.6 Mt of aluminum fabrication in Alcan facilities, including conversion of customer-owned metal.
- \$3.9 billion in sales, including conversion of customer-owned metal.

Aluminum Fabrication, Europe

Operations

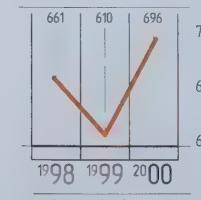
- 11 rolled (sheet and surface finished) products plants.
- 26 engineered products plants**.
- Total:
37 plants in 11 countries.

** Includes extrusions, auto systems and components, sales and service centres and mass transportation systems throughout Europe as well as composites worldwide (including China and the U.S.).

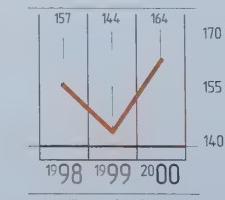
2000 Highlights

- \$1.7 billion (696 kt) in sales, including conversion of customer-owned metal.
- \$0.2 billion (16 kt) in sales.
- 712 kt of aluminum fabrication in Alcan facilities, including conversion of customer-owned metal.
- \$1.9 billion in sales, including conversion of customer-owned metal.

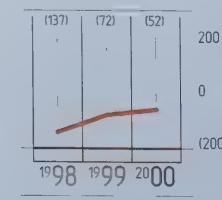
Rolled Products Shipments³



Operating Segment's EBITDA



Economic Value Added¹

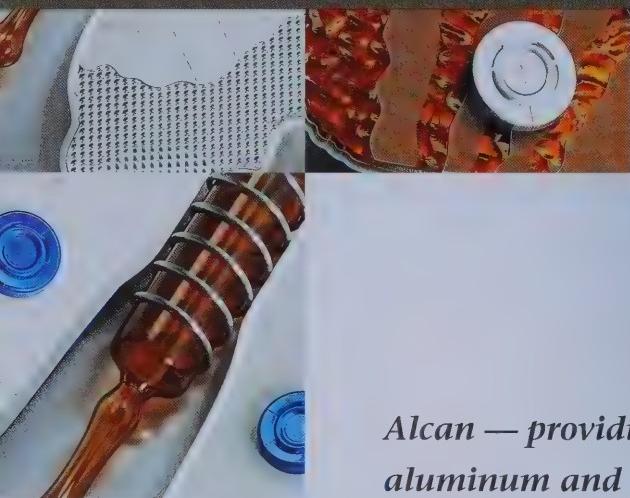


¹ EVA excluding algroup purchase accounting adjustments.

² Excludes foil products for 1998 only; foil operations have been reclassified to the packaging segment from the fabricated products segments for 1999 and 2000.

³ Includes foil products for 1998 only; foil operations have been reclassified to the packaging segment for 1999 and 2000.

Imagination Materialized



The butterfly model on this page and on the cover of this report was created with aluminum, plastic, paperboard and glass materials.

Alcan — providing global aluminum and packaging solutions that turn today's ideas into tomorrow's innovations.

Every good idea needs a partner to see it through. The new Alcan is a cutting-edge organization with a remarkable combination of talented people, innovative products, advanced technologies and a decidedly customer-focused culture. So whatever the challenge — be it contributing to the design of a more fuel-efficient and environmentally friendly automobile, engineering a sophisticated new component or coming up with a clever new packaging concept for pharmaceutical or food products — look no further. Alcan — providing global aluminum and packaging solutions that turn today's ideas into tomorrow's innovations!

> Primary Metal

focuses Alcan's global bauxite, alumina, power-generation and smelting assets on the production of primary, value-added aluminum in the form of sheet ingot, extrusion billet, wire bar and foundry ingot for other Alcan plants or sold to third-party customers serving the transportation, building and construction, consumer goods and machinery markets.

> Aluminum Fabrication, Americas and Asia

provides high-quality sheet and light gauge rolled products as well as rod, cable, wire, extrusions and engineered cast products to customer-partners that range from the building and construction, and durable goods industries to major automakers and global manufacturers of beverage cans.



> Alcan Packaging

is one of the world's largest specialty packaging groups and ranks among the leaders in supplying most consumer packaging markets; food, pharmaceutical, cosmetics/personal care, and tobacco. It offers a variety of packaging solutions based on plastics, paperboard, aluminum, glass and other materials.

> Aluminum Fabrication, Europe

serves a number of European markets with advanced and value-added engineered products, including extrusions and composites, automotive systems and components, platforms for rapid-transit and high-speed rail vehicles as well as rolled products such as lithographic sheet and industrial plate.

Primary Metal



Emery P. LeBlanc
President, Primary Metal

“ Alcan’s Primary Metal group performed exceptionally well in 2000, achieving financial and operating results that exceeded expectations by a considerable margin, with EBITDA of \$994 million compared to \$557 million in 1999. Results for the latest year include an additional \$75 million in earnings improvements (excluding restarts) realized as part of the Full Business Potential program. Noteworthy, too, is the fact that the final quarter of 2000 marked our sixth consecutive EVA-positive quarter.

It was also a year of historic milestones, highlighted by the safe start-up of our new Alma, Quebec, smelter in October; permanent closure of the 57-year-old smelter at nearby Isle-Maligne, Quebec; and, of course, integration of the global primary metal operations of Alcan and algroup, which began during the fourth quarter.

The majority of our facilities, including 11 of 15 smelters as well as three alumina refineries, posted production records for 2000, and third-party metal sales in North America reached an all-time high — attesting to Primary Metal’s status as a supplier of choice. I am pleased to report that we were also able to maintain our solid performance in employee health and safety and make further progress in terms of addressing environmental issues. These are top priority areas that figure prominently in any evaluation of the group’s performance.

Looking ahead to 2001, strategic priorities include: aggressively pursuing the merger synergies; accelerating the ramp-up of Alma; capitalizing on opportunities to reduce procurement costs through the new Quadrem e-commerce marketplace; further enhancing our safety record; setting new standards of environmental performance; and achieving the group’s ambitious targets for profit improvement. Our efforts in that regard were bolstered by the acquisition, subsequent to year-end, of the remaining 30% of the Gove alumina refinery and related bauxite mine in Australia.

Our aim is to continue growing Alcan’s Primary Metal business and creating value for customers and shareholders.”

Completed Alma project expected to deliver \$250 million in EBITDA improvement

The Primary Metal group is striving to achieve an accelerated start-up of its new Alma, Quebec, smelter complex in order to begin realizing the substantial benefits that will accrue from this strategic investment.

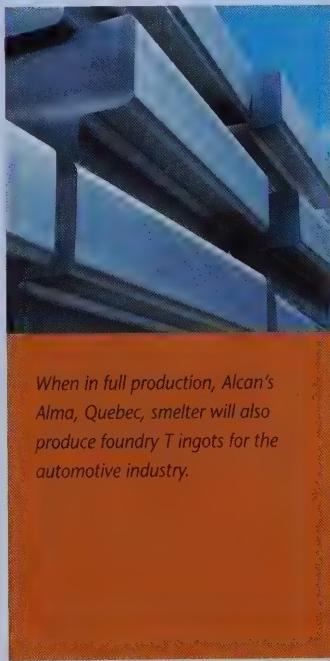
The state-of-the-art aluminum smelter, originally planned with an annual production capacity of 375,000 tonnes, will now be able to produce 400,000 tonnes, further enhancing Alcan's competitiveness by delivering quality primary metal at operating costs among the lowest in the world. Once fully up and running, it is expected to generate EBITDA of approximately \$250 million per year at a metal price of \$1,500 per tonne. The complex also includes a casting centre that will produce value-added ingot products for high-growth market segments such as automotive.

A milestone in the realization of the project occurred on October 21, 2000, when the first of the new facility's 432 reduction cells was energized, marking the initial start of potroom operations. Work on the commissioning of the remaining cells, along with equipment and operations in other parts of the plant, was in full swing by year-end.

As well as being one of the most cost-efficient smelters in the world, Alma was designed to establish a new standard of excellence in terms of the level of environmental protection it affords employees and the surrounding community. This reflects Alcan's conviction that responsible corporate citizenship is crucial to our overall success.

Gove acquisition yields immediate payoff plus promise of future gains

The Gove alumina refinery and related bauxite mine in Australia represent a significant competitive advantage — for now and for the future. In January 2001, Alcan acquired outright ownership of the world-scale Australian complex, which has a current annual capacity of 1.8 million tonnes of low-cost alumina. This has enabled the Primary Metal group to immediately realize a further reduction in its average alumina costs, while gaining access to 100% of Gove's substantial, low-cost expansion potential.



When in full production, Alcan's Alma, Quebec, smelter will also produce foundry T ingots for the automotive industry.

Launching production at a massive complex like Alma — with its kilometre-long central potline — requires meticulous planning and careful coordination. At the peak of activity during the autumn of 2000, more than 3,000 production employees and construction workers were busy on site. However, thanks to the extraordinary efforts of everyone involved, the start-up has so far proceeded swiftly and safely.

Aluminum Fabrication, Americas and Asia



Brian W. Sturgell
President, Aluminum Fabrication,
Americas and Asia

Underscoring Alcan's international growth strategy, the Aluminum Fabrication, Americas and Asia group developed new capacity and capabilities during 2000, helping solidify our leadership in the global rolling market. We significantly enhanced our presence in the rapidly growing markets of South America and Asia, while improving our competitive position in North America through a focus on manufacturing excellence and value-creating supply alliances with customers.

The group shipped a record 1.6 million tonnes in 2000, an increase of 11% over 1999 — in markets where total consumption increased only 3.5%. Key to this success was a 52% increase in sales at our recently expanded and improved Pindamonhangaba (Pinda), Brazil, rolling complex. In addition, our Korean operations acquired the facilities of Aluminium of Korea Limited (Koralu), providing Alcan with new advanced-technology, globally competitive, rolling operations to capitalize on the growing Asian market.

We also made further inroads in the automotive sector, where aluminum in general — and Alcan in particular — continue to strengthen their market position.

The group's profitable growth is the result of our strategic investments and of our focus on differentiating ourselves from competitors by adding value to customers' operations and providing superior quality-and-service solutions. Critical to our continued success are creativity and human resources — the 7,500 highly-motivated men and women of the Aluminum Fabrication, Americas and Asia group who have demonstrated the outstanding abilities required to sustain our positive momentum.

In 2001, we expect our business group will continue to grow profitably as we aggressively pursue manufacturing excellence and superior service solutions."

Recycling: a big part of rolled products business

Recyclability is one of aluminum's greatest attributes. So it makes sense that recycling plays an important role in the activities of Aluminum Fabrication, Americas and Asia. Our North American recycling operations handled a record 23.8 billion used beverage cans (UBCs) during 2000 — representing nearly four out of every 10 aluminum beverage cans recycled in the United States. Elsewhere, the group's state-of-the art recycling plant in Brazil handles approximately 50% of all UBCs recovered in that country. Needless to say, Alcan's conversion of all those used cans into new, high-quality rolled products conveys significant environmental, energy and economic benefits.

Can sheet continues to be the largest global market in the rolled products category. And as a result of strategically targeted modernization and capacity-related investments in Brazil and Korea, we have extended our global leadership position in this crucial segment.

Industrial products – the supplier of choice

Alcan also has emerged as the supplier of choice in the industrial products category. Over the past decade, the group's sales in this segment have increased at a compounded annual rate of 24.2% — four times faster than the industry. A recent customer survey conducted by the National Association of Aluminum Distributors ranked Alcan first in seven of 10 customer-satisfaction categories and No. 1 overall, reinforcing Alcan's continued commitment to be the supplier of choice in these markets.

Plugged in to electric utility customers

Strong customer alliances have generated increased value for Alcan products and service among customers in the electrical cable market. We have expanded our position with electric utility customers through several long-term supply contracts. Also, demonstrating its active commitment to the environment, the North American cable unit became the first business unit in the group to obtain ISO-14001 registration at all its seven plants.



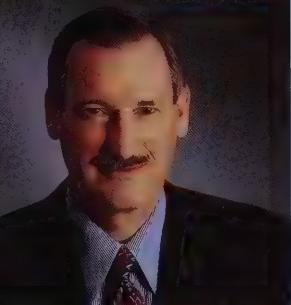
Automotive

The Alcan-algroup merger brought together two of the world's most successful and innovative suppliers of lightweight automotive solutions. A new strategic unit called Alcan Global Automotive Solutions, with offices in Detroit and Zurich, works in close collaboration with our fabrication groups and major automakers to accelerate the development of lighter and more fuel-efficient aluminum-intensive vehicles.

Results of Alcan's automotive developments in North America were highly visible in 2000, with the introduction of General Motors' new GMC Yukon and Chevrolet Suburban sport utility vehicles, which boast the first aluminum rear liftgates built in North America, and the unveiling of the Precept and Prodigy concept cars from GM and Ford, respectively. Alcan's AlumineeringSM know-how figured prominently in both concept cars, which were developed under the Partnership for a New Generation of Vehicles (PNGV), a U.S. government-industry program, to demonstrate that producing safe, environmentally friendly automobiles, capable of delivering up to three times the gas mileage of today's typical family sedan, is an achievable goal.

These successful partnerships with leading Detroit automakers enable us to differentiate ourselves by underscoring the fact that Alcan is not only a supplier of metal, but rather a provider of solutions — solutions aligned with the value goals of our automotive customers as well as those of society.

Aluminum Fabrication, Europe



Richard B. Evans
President, Aluminum
Fabrication, Europe



By quickly putting an experienced transition team in place, Aluminum Fabrication, Europe was able to move promptly following completion of the merger last October to identify — and begin capitalizing on — synergies stemming from the merger. It is within our extensive European fabricating operations, where the greatest opportunities exist for system optimization and profit improvement.

Despite the intensive integration activities and inherent disruptions placed on our management teams, many of our European business units improved their performance during the integration. The rolled products sector, led by our Norf facility in Germany, set overall and numerous individual shipment records.

Throughout the Aluminum Fabrication, Europe group, continued progress was made on improving business fundamentals, including such areas as reliability, capacity utilization and delivery performance. We also continued to enhance our position in the key automotive market by the significant contribution of former algroup automotive technical expertise and market presence.

Looking ahead to 2001, our group's strategic priorities include:

- › Accelerating and maximizing the synergies resulting from the Alcan-algroup combination;
- › Enhancing our product mix by drawing on the greater capabilities of the new combined assets and technologies;
- › Continuing our programs to achieve manufacturing excellence by transferring best practices and technology both within our group and with Alcan's other three business groups;
- › Aggressively pursuing both internal and external growth opportunities.

Demand for aluminum in Europe is expected to remain strong during the first half of 2001, and our group is looking forward to seizing the opportunities for further growth."



Technical prowess pays off

Exceptional technical capabilities in both aluminum and advanced composite materials — along with a penchant for innovation — have enabled the group's engineered products teams to carve leading positions in a number of growing markets including mass transportation, building facades and display applications.

Alcan engineered products that incorporate the group's specialized know-how in areas such as joining technology and light-weight modular design are being utilized as key components in an array of 21st-century passenger rail and urban-transit systems, including high-speed tilting trains, rapid-transit systems, trams, city buses and commuter-rail vehicles serving urban areas throughout Europe and abroad.

Composite materials, including structural composites, extruded sheets, engineering foam and sandwich-bonded panels, represent another of the group's strengths, addressing constantly evolving customer needs in market segments as diverse as automotive, mass transportation, architectural products and retail and trade-show displays. Our Airex Composites unit captured the 2000 SPE (Society of Plastics Engineers) Award for the most innovative plastic part — a rear spoiler for a new Porsche.

Industry leader in providing customer solutions

Alcan in Europe is increasingly providing solutions to customers utilizing our technology and manufacturing capability in the rolled products sector. In higher value markets such as industrial plate, precision lithographic sheet, automotive body sheet, and beverage and food can sheet, Alcan has been increasing sales.

In these exacting market segments, where product tolerances expressed in microns (one one-thousandth of a millimetre) are the norm, the group's superior technological know-how and focus on achieving consistent high quality add up to a competitive edge.

In the plate sector, a strong marketing effort combined with Alcan's technological edge and highly differentiated product and service led to a 16% gain in year-over-year sales of value-added industrial plate, mainly to the machinery and moulding markets. The outlook for 2001 remains buoyant, thanks to strong demand and a continuing trend to substitute aluminum for steel in these markets.



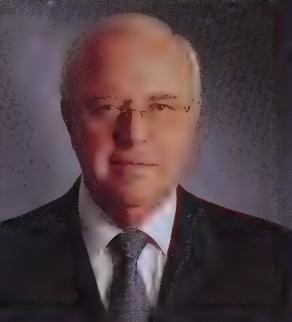
Partnering with automotive leaders

Alcan engineers are providing extensive support to auto industry leaders Audi, DaimlerChrysler, BMW and the European operations of Ford and General Motors. For example, we partnered with Audi on the development of the Audi A2 aluminum-intensive automobile, which was launched in the European market during 2000. Initial customer response has been positive. In 2001, the A2 is expected to establish its position as the largest volume aluminum-intensive vehicle in the world.

Based on our successful earlier collaboration on the luxury Audi A8, the German automaker chose algroup as its development and production partner for the new, larger-volume A2 model. Thanks to its high-tech aluminum space frame, body panels and shock-absorbing bumpers and side-impact beams, the A2 boasts a total vehicle weight of only 895 kilograms. That is about 250 kilograms less than would have been the case had the car been built using steel.

To meet increasing demand from the automotive industry, Aluminum Fabrication, Europe has expanded its auto-body sheet-finishing capacity and invested in new engineered products production facilities at Dahlenfeld, Gottmadingen and Markt-Schwaben, in Germany.

Alcan Packaging



*Henk van de Meent
President, Alcan Packaging*



Alcan Packaging brought together the two packaging divisions of the former algroup — which account for approximately 75% of revenues — along with the packaging and European foil rolling operations of Alcan.

With more than 85 plants on four continents, we already rank as one of the world's largest specialty packaging groups and are well positioned for growth by virtue of our status as:

- › The leading supplier of packaging for pharmaceuticals;
- › A leader in flexible packaging for food products;
- › Strong market positions in tobacco packaging and other key specialty segments.

Alcan is determined to remain at the forefront of these markets by staying focused on low-cost, highly efficient manufacturing systems, superior customer service and innovative packaging solutions. Strategically, the group is also committed to growing with its multinational customers around the globe.

The various business units that comprise Alcan Packaging generally performed well during 2000, despite sometimes difficult circumstances. Volumes grew satisfactorily, although profits were impacted by cost increases for materials and, in Europe, by adverse exchange rates. Strategic priorities for 2001 include reorganizing the manufacturing systems at our European foil-rolling and conversion operations to achieve greater efficiencies and shorter lead times. We also intend to capitalize on growth opportunities created by the enhanced product ranges, broader distribution systems and new customer relationships resulting from the merger.

Our successes — past, present and future — ultimately hinge on the efforts of our empowered people, a team I am privileged to lead as we enter what I'm confident will be an exciting and rewarding new chapter in the evolution of the group."

The one-stop shop for pharmaceutical packaging solutions

The pharmaceutical and cosmetics sector of Alcan Packaging combines a multi-line product offering with a global account-management process that enables us to effectively channel innovative packaging solutions to leading drug companies worldwide.

The following case study — involving a widely prescribed product from a major international pharmaceutical company — illustrates how clients can capitalize on our customer-focused strategy, which offers one-stop access to a range of specialized products and services from Alcan Packaging facilities around the globe.

Packaging such a product is truly a global team effort:

- Lawson Mardon at Singen, in Germany, rolls the aluminum foil (from ingots produced by Alcan's Primary Metal group), which is then shipped to our Pharma Centre at the Shelbyville facility in Kentucky, U.S.A.;
- Pharma Centre in Shelbyville converts the basic rolled foil into blister foil and forwards it on to our Margo business unit in Montreal, Canada;

- Margo then utilizes its combined contract packaging and specialty carton capabilities to deliver the drug in its consumer-ready package — including blisters, sealed cards and displays — to the customer. Margo's design centre also developed the graphic and structural design of the package used for this product in the Canadian market.



- Just to round out the picture, it should be noted that our Wheaton unit, situated in Cayey, Puerto Rico, also produces plastic bottles for the same product.

From *Concept to MarketSM*, Alcan Packaging delivers innovative packaging solutions to pharmaceutical companies around the globe!

Innovative stick-pack helps Nestlé win new market share

Alcan Packaging's innovative "stick-pack" food flexible has helped Nestlé perk up its share of the instant-coffee market in France.

Working in close collaboration with the customer, our Packaging group drew on its broad expertise to devise a solution precisely suited to Nestlé's requirements. Stick-pack incorporates three different materials — polyester, aluminum foil and polyethylene — and several applied technologies — including reverse-gravure printing and extrusion laminating in a package that is not only eye-catching and convenient but also addresses practical necessities such as barrier protection, to keep the product fresh, and production-line efficiency. Stick-pack's patented "easy-opening" feature, produced right on the press line, makes for easy opening and pouring and also served to make the product a hit with consumers.

The sort of ingenuity reflected in stick-pack has enabled Alcan Packaging to build a strong customer relationship with Nestlé, providing it with winning packaging solutions for markets worldwide.

Corporate Citizenship

Alcan research identified aquatic plants that can be used to treat runoff water due to their ability to absorb aluminum without any harm to the plant or the ecosystem.



Strategy

Alcan ensures ethical conduct wherever it operates and its facilities work to meet or exceed environment and health and safety regulations. The Company's corporate citizenship strategies contribute to the long-term health of the organization, the well being of the communities where it operates and society in general. Alcan's success will not only be measured through traditional tracking systems, but also by its efforts to preserve and restore natural resources as well as by the impact of its actions and products in contributing to a more sustainable planet in the future.

— a key element to increased shareholder value and long-term sustainable growth.

At Alcan, corporate citizenship means going beyond sponsoring local events or charitable causes. It is about linking social responsibility with the business objectives of the organization. It is how the Company demonstrates its commitment towards employees, communities and all stakeholders who may be influenced by our policies and practices on the environment, health and safety, and community responsibility. Corporate citizenship is about how Alcan perceives and acts upon its responsibilities — it is an essential component of our long-term sustainability as a global corporation.

As more companies embrace corporate citizenship, it becomes increasingly valuable to benchmark performance. Alcan earned a place in the Dow Jones Sustainability Group Index. This Index tracks the performance of sustainability-driven organizations worldwide and found Alcan to be among the top 10% of companies within its market sector in terms of economic, environmental and social policies, practices and performance.

Environment

Increasingly, major companies are specifying environmental management systems as a standard supplier requirement — making Alcan's corporate citizenship approach an even more relevant strategic business decision. In 2000, Alcan further demonstrated its global commitment to be an environmental leader by initiating a long-term greenhouse gas management program in all businesses. Known as TARGET, this program's objective is to institutionalize ongoing greenhouse gas reductions.

Alcan is involved with other leading companies, industry associations, governments, and special interest groups in a number of environmental efforts that respond to climate change issues. For example, in Canada, Alcan joined major multinational companies in the Champions in Action initiative of the Voluntary Challenge and Registry and, internationally, Alcan participates in the Partnership for Climate Action. Climate change is an international issue, and Alcan will continue to take a leadership role in working with others to develop pragmatic and cost-effective solutions.

In the United States, the Environmental Protection Agency singled out Alcan's Sebree smelter in Kentucky as the 2000 recipient of the Climate Protection Award. Sebree made significant reductions in global warming gases such as decreasing its rate of PFC (perfluorocarbon) emissions by more than 60% between 1990-1999. Elsewhere in the Company, particularly in Canada and Brazil, improved processes have also resulted in reductions of PFCs.

In addition, Alcan will continue to work with its partners — customers, suppliers, employees, governments and communities — to improve its products and maximize product life cycle benefits.

***Alcan will
continue to work
with its partners
to improve
its products
and maximize
product life
cycle benefits.***

In the last year, the Company continued its progress towards environmental management excellence in power operations, smelters and fabricated products and packaging plants by doubling the number of facilities that have earned the ISO-14001 environmental management system certification of the International Organization for Standardization.

Alcan strives for environmental leadership within its industry sectors — a goal that includes being accountable and transparent in the reporting of environmental issues and progress. Several of Alcan's subsidiaries and facilities have published documents on their environmental performance and challenges. Exemplifying this commitment is the release of a "three pillar" report by Alcan's operations in British Columbia (B.C.), Canada. The publication, Committed to Continual Improvement, outlines performance in three key areas of sustainability: environmental stewardship, economic contribution and social responsibility.

This review has already had a positive impact through increased employee and stakeholder awareness of issues affecting B.C. operations. A global corporate citizenship report is being planned for 2002 covering all Alcan operations.

Health and Safety

Alcan's health and safety values are reflected in its facilities and are viewed by many investors and stakeholders as criteria to assess the long-term health of the organization.

Despite strong employee efforts that resulted in health and safety milestones at numerous Alcan facilities around the globe, the Company suffered two employee fatalities and one contractor fatality in 2000. This reality reinforced Alcan's resolve to ensure that appropriate management systems and safeguards are in place and to strengthen our efforts to minimize at-risk behaviours through the implementation of Behaviour Based Safety (BBS) processes. The employee-driven BBS approach or other similar programs are now in place at many Alcan installations in North and South America and Europe, and even more facilities will benefit as these initiatives continue to be implemented.

Other health and safety initiatives in 2000 include the creation of an Environment, Health and Safety Council and the development of special procedures for third-party contractors in Canada and Brazil. In Canada, a cooperative effort between the University of Sherbrooke and the Occupational and Environmental Health Service of the Primary Metal group resulted in unique software that analyzes the impact of plant equipment design and installation as it relates to employee exposure to noise. In the Alcan Packaging group,

a focused approach to health and safety has resulted in substantial improvements in areas such as fire protection, machine guards and risk reduction. In addition to a continued commitment to standards certified by the International Organization



A full review of safety issues for mobile equipment and overhead cranes resulted in extensive safety management systems being implemented throughout the organization.

for Standardization, several Alcan food packaging plants also received hygiene certification in 2000.

Increased networking is one vehicle being used to encourage excellence. For example, the bauxite and alumina health and safety experts met in Jamaica to share best practices and identify opportunities for improvement.

Alcan believes that people make the difference between an ordinary company and an extraordinary one. Published in 2000, the Company's shared values reinforce its corporate Code of Conduct and are intended to stimulate all employees to seek their full potential.

Integrity

Integrity requires the adherence to a code of sound moral and ethical conduct that governs all aspects of our activities.

Accountability

Accountability means honouring our commitments and accepting responsibility for our actions and behaviour. At Alcan, we believe in aligning decision-making power with responsibilities — at all levels of the organization — and for employees to exercise greater control over their activities and, at the same time, be accountable for the results.

Trust and Transparency

The success of our organization depends, to a considerable extent, on being able to trust the information we receive and the people who provide it. Transparency is vitally important as well, which means we promote an atmosphere of open communication and the constant exchange of timely, credible information.

Teamwork

A cooperative effort by all Alcan employees is crucial to achieve our common goals. We regard interaction with other group and team members as a vital part of everyone's job. Through effective teamwork, the organization is able to leverage the energies and abilities of various groups to achieve results that wouldn't otherwise be possible.

Community

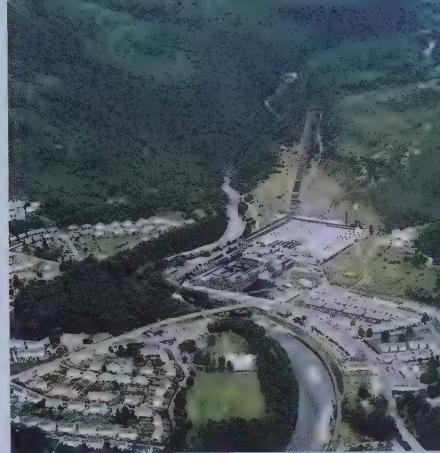
From community consultation and investment to volunteer programs, Alcan is viewed as a valued partner. Developing these ties helps to maintain a positive relationship with key stakeholders. It is an indication of what communities can expect when new Alcan projects are proposed. In the educational sector, the Company's support includes local grants and scholarships, mentorship programs, medical education conferences and cooperative research undertakings. For example, in Jamaica, where Alcan has earned an enviable reputation for its agricultural contributions, the Company's cooperative efforts with local universities include the funding of a chair in sustainable development at the University of the West Indies. In terms of environmental education at the primary school level, the Micro-Business program in Brazil, launched and sponsored by Alcan over four years ago, has expanded to include 25,000 children and more than 600 teachers in three cities.

Alcan employees were extremely proud to watch six beneficiaries of the Jamaica-based employee community and sports program participate at the summer Olympics where three of the athletes received

medals for their performance. And, Alcan-sponsored wheelchair athlete Chantal Petitclerc captured two gold and two silver medals against top international competitors at the Paralympics, which followed the Olympic Games in Australia.

In Canada, consultation with community and union leaders resulted in the smooth closure of Alcan's Kemano company village where technology now allows the powerhouse to be managed by rotating work crews. Alcan was commended by government authorities for its cooperative approach and for making the village site available for extensive fire and rescue training exercises.

From dragon boat festivals to special relief for the less fortunate, the generosity of Alcan employees is difficult to surpass. In the U.K., as part of Operation Christmas Child, employees in Uxbridge prepared special Christmas surprise boxes for children in Eastern Bloc countries. Families in need of housing in the U.S. benefited from Alcan's participation in the *Aluminum Cans Build Habitat for Humanity Homes* program, jointly sponsored by the Aluminum Association and Habitat for Humanity International. In Brazil, Alcan continues its support of the World Wildlife Fund in areas such as educator training, participates in Project Smile that has provided some 2,600 needy children with free dental care, and has also played an active role in the restoration of two historic buildings in Ouro Preto, a UNESCO world heritage site.



Alcan's involvement with its neighbours is no better demonstrated than in the U.K. where the closure of the Kinlochleven smelter is being turned into new community opportunities in tourism and small business.

After almost a century of operation, Alcan closed its Kinlochleven smelter in Scotland, but not without first ensuring that the community was in a strong position to survive. Since the decision some five years ago to close the world's oldest and smallest smelter, Alcan has worked with employees and community leaders to explore future opportunities. A \$14.7-million (£10-million) community redevelopment plan is well underway and Alcan has invested an equivalent amount into upgrading the neighbouring Kinlochleven power station. The facility will be open to public visits along with a Heritage and Visitor Centre created to commemorate the region's contribution to aluminum smelting.

Alcan is now furthering its commitment by proposing a woodland regeneration program on 3,000 hectares of Company-owned land. The aim is to maintain and enhance the existing native woodlands and encourage development of new wildlife areas.

Management's Discussion and Analysis

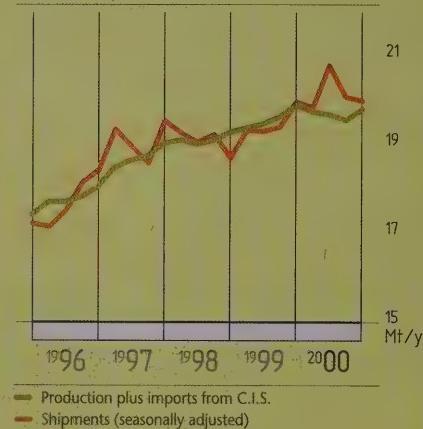
As a result mainly of improved metal prices and continued progress under the FBP program, the Company's net income increased by 34% and its

EVA was up \$264 million¹ in 2000.

¹ Excluding purchasing accounting adjustments related to the merger with algroup.

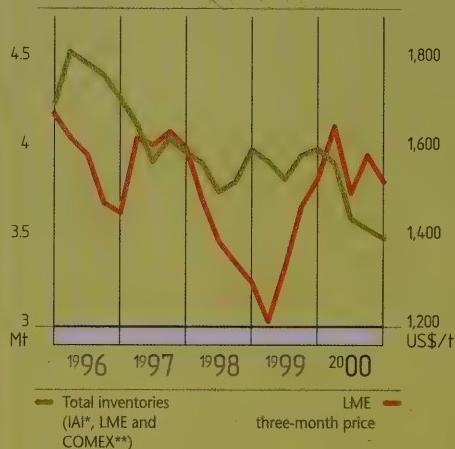
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Western World Primary Aluminum Supply and Demand



Demand growth was up 3.5% from the previous year. Supply increased by less than 1% in 2000, due to power-related cutbacks in the U.S. Pacific Northwest and higher net Chinese imports.

Total Aluminum Inventories and Ingots Prices



* International Aluminum Institute

** Inventories held by the New York Mercantile Exchange

Total inventories were down by 435 kt from the end of 1999. Prices trended down in 2000, after peaking at \$1,756/t in January. The average price of \$1,567/t was 13% higher than in 1999.

World Market Review

Primary Aluminum

Western World* total consumption grew by 3.5% in 2000, a level slightly higher than earlier forecasts suggested. Demand surpassed expectations in all regions except for North America and Latin America. North American demand was strong in the first half, with growth of 5%, but slowed significantly during the second half of 2000 as confidence dipped amid fears of a recession.

Overall, North American demand rose by 1.1% during the year, a significant decline compared to the 6.8% growth rate in 1999. This was contrasted sharply by a 6.8% growth rate in Asia, driven mainly by Japan and other export-oriented countries. Europe experienced growth in demand of 3.7%, bolstered by consumer confidence and exports. Latin American growth measured 5.1%, somewhat lower than earlier forecast levels, but nonetheless very healthy.

Western World consumption totalled 28.5 million tonnes (Mt) in 2000, 20.2 Mt of which was primary metal, and the balance, recycled metal. Since 1982, demand for aluminum has grown at a compound annual growth rate of approximately 4%.

Western World primary aluminum production grew 2.3 % in 2000, to 17.3 Mt. During the year, Alcan and other producers announced combined restarts of 310 thousand tonnes (kt) to meet anticipated demand. However, power constraints in the U.S. Pacific Northwest have resulted in production capacity of about 770 kt per year (kt/y) being idled by the end of 2000, representing approximately 47% of the region's capacity. Most of the idle capacity in that region, which increased to

Aluminum inventories decreased by 13% in 2000 to 3.5 Mt.

about 1 Mt by February 2001, will likely be restarted only when energy prices for aluminum producers drop significantly from current levels.

Imports from the former Eastern Bloc decreased by approximately 9.4% to 2.4 Mt in 2000, due to Chinese net imports increasing to 0.7 Mt, more than double the total of 1999.

In 2000, growth in consumption translated into a 3.5% growth in demand for primary aluminum, whereas supply increased by only 0.7%, resulting in a reduction of inventories estimated at 450 kt.

During the year, inventories with aluminum producers, the London Metal Exchange (LME) and COMEX decreased to approximately 3.5 Mt, or the equivalent of about nine weeks of consumption. For 2001, current expectations are that demand will match supply for the year as a whole, although inventory levels may fluctuate during the year.

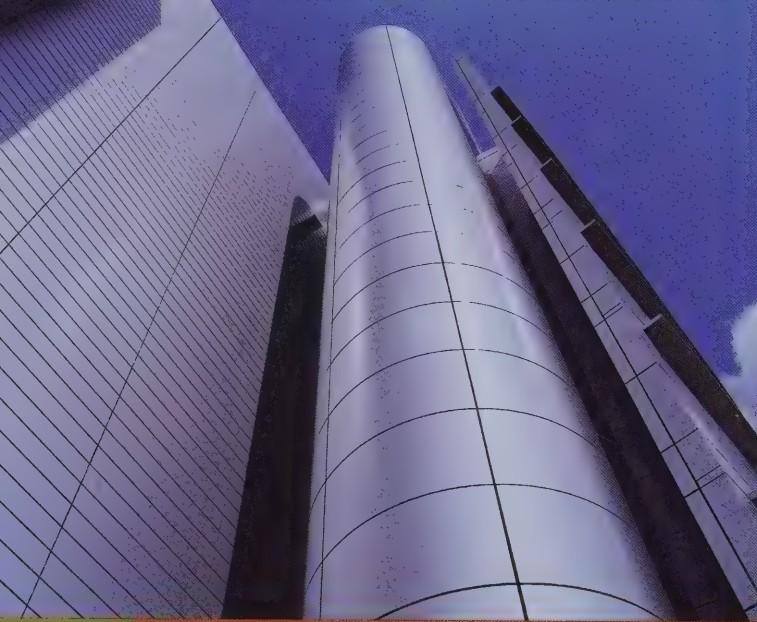
Ingot prices (LME three-month) were at \$1,638 per tonne (/t) at the beginning of 2000, reaching a high of \$1,756/t in mid-January, dropping to a low of \$1,427/t in mid-April, and closing the year at \$1,568/t. The average LME price of \$1,567/t was 12.9% higher than the 1999 average of \$1,388/t, which had been virtually unchanged from 1998.

Western World Consumption vs. Alcan Sales

Alcan's total shipments grew to 3.5 Mt in 2000, an increase of 13.7% over the previous year, with ingot shipments rising 13.4% and rolled products shipments increasing by 15.3%.

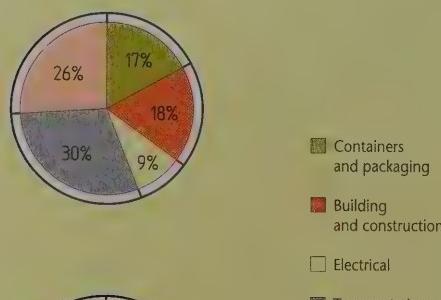
Demand from the transportation sector increased by 2.7% to 8.4 Mt, a lower rate of growth than in previous years. Nonetheless, it remains the largest, and most promising market for aluminum. The year 2000 was a record year in terms of light vehicle sales in the U.S., as was 1999

* Defined as the world excluding the Commonwealth of Independent States (C.I.S.), Eastern Europe and China.



Composite materials, such as engineering foam and sandwich-bonded panels, are used for facades and claddings in the building and construction market.

2000 Western World Aluminum Consumption by End-Use Market



Alcan's 2000 Fabricated and Non-Aluminum Sales by Market

compared to the prior year. However, the market has begun to contract, reflecting increases in energy prices and interest rates, as well as a slowing economy. Automotive demand for aluminum in Japan was also strong for most of the year, but dropped in the last quarter. Alcan's revenues from the transportation market increased by 20%. This market accounted for 8% of its revenues.

Demand from the building and construction sector grew by 2.5%, to 5.2 Mt. The sector started out in 2000 on a strong note in the U.S., but dropped later in the year due to higher mortgage rates and fears of an economic slowdown. Growth in this market was healthy in Europe, but flat in Japan, and negative in Asia as a whole. Alcan's revenues from building and construction increased by 4%, accounting for 12% of Company revenues.

Consumption from the containers and packaging market was stable, at 4.9 Mt. Can stock demand was stable in 2000, as growth in Asia and Latin America was offset by downgauging and substitution in North America. Other packaging, principally foil, declined slightly as the decrease in the U.S. was offset by gains in most other regions. Alcan's aluminum revenues from the containers and packaging market increased by 35%, accounting for 50% of revenues.

Results of Operations

The electrical market grew a very healthy 6% to 2.6 Mt, with above average growth in North America and Asia. Alcan's revenues from the electrical market increased by 18%, accounting for 9% of revenues.

Demand from other markets increased to 7.3 Mt in 2000. This includes demand from the machinery and equipment market, which was up 7.6% to 2.7 Mt, as well as demand from the consumer durables market, which increased by 3.3% to 1.8 Mt. Alcan's revenues from these other markets increased by 32%, accounting for 21% of the Company's revenues.

Merger with algroup

Alcan completed its merger with Alusuisse Group Ltd ("algroup") in October 2000. The merger was recorded under the purchase method of accounting, in a transaction which valued algroup at \$5.6 billion. This included the issue by the Company of 115.4 million shares having a market value of \$3.5 billion, and algroup's debt of \$2.1 billion.

Results from the operations of algroup have been included with the financial results of Alcan for the fourth quarter of 2000.

Alcan reported consolidated net income for 2000 of \$618 million compared to \$460 million in 1999 and \$399 million in 1998.

The increase in 2000 net income was attributable in large part to the higher average metal prices compared to 1999, to further improvements made under the Company's Full Business

In 1999, operating results were higher than in the previous year due mainly to higher fabricated product sales volumes and to lower operating costs, offset in part by the unfavourable effect of the time lag in fully passing on higher metal prices to customers.

Average metal prices in 2000 were approximately 13% higher than in 1999 and 1998. In 2000, the average LME three-month price was \$1,567/t compared to \$1,388/t in 1999 and \$1,379/t in 1998. The average metal price during the second half of 1999 was \$1,503/t, compared to \$1,322/t for the same period in 1998.

The results for 2000 included non-cash merger related charges of \$60 million after tax. This was comprised of depreciation and amortization of asset revaluation (\$19 million), amortization of goodwill (\$16 million), and a one-time inventory adjustment of \$25 million.

Also included in the results for 2000 were special items totalling a net loss of \$35 million after tax. These included rationalization charges of \$30 million, related principally to the closure of operations in the U.K. (Rogerstone Foil) and Canada (Kemano, B.C.).

In addition, there were favourable tax adjustments of \$75 million during the year. These included favourable prior year income tax adjustments of \$37 million in

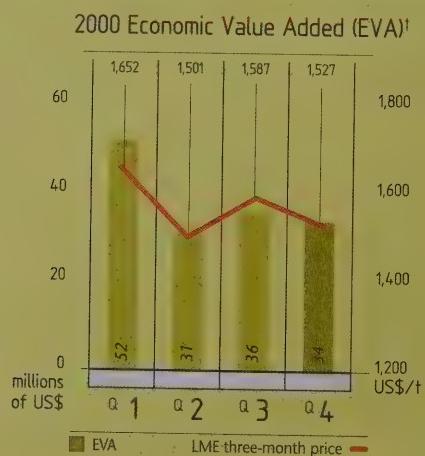


With 33 plants in 11 countries, the food flexible and foil sector customizes packaging to meet the needs of a vast array of food product manufacturers.

Potential (FBP) earnings improvement program, and to the inclusion of algroup's results in the fourth quarter. These favourable factors were offset in part by higher energy costs and the unfavourable effect arising from the time lag in fully passing on higher metal prices to customers. The lag varies from about one month for ingot products to over six months for certain can sheet customers.



Foundry ingot and extrusion billet are strategic to Alcan's success as a leading partner-supplier to various markets in North America, such as control arms (shown above) or heat exchangers for the automotive market.



[†] Excluding purchase accounting adjustments.

Compared to 1999, and excluding purchase accounting adjustments, EVA improved by \$264 million in 2000.

Canada, as well as a \$20-million reduction of deferred income tax liabilities in Canada and Germany due to a reduction in tax rates. Moreover, the revaluation of deferred taxes due to exchange rate changes resulted in a non-cash gain of \$18 million.

For 1999, the results included a net non-operating gain of \$62 million, after tax. These included gains on business disposals of \$90 million. In addition, there was a favourable tax adjustment of \$31 million in Canada, offset by rationalization costs of \$33 million. Furthermore, the revaluation of deferred taxes due to exchange rate changes resulted in a non-cash charge of \$26 million.

For 1998, there were a number of offsetting special items totalling a net after-tax loss of \$10 million.

Economic Value Added (EVA) was \$19 million in 2000, including the purchase accounting adjustments related to the algroup merger*. Excluding these purchase accounting adjustments, to allow for a more meaningful comparison with prior years, EVA was \$153 million positive in 2000. This compares to a negative \$111 million in 1999 and a negative \$285 million in 1998. The improvement in 2000 over 1999 was due in large part to higher metal prices and to continued progress in achieving the Company's FBP program. The improvement in 1999 over 1998 was largely due to changes in cost of capital and economic tax rates.

* Goodwill and asset revaluation, as well as depreciation and amortization.

Under the FBP program, Alcan's objective was to improve pre-tax profitability by \$1 billion over the five-year period of 1997 to 2001, at benchmark LME prices of \$1,380/t. The \$1-billion target included a contribution of \$150 million from the new 400 kt smelter in Alma, Quebec. Start-up of the Alma smelter commenced successfully in October 2000, and its profit contribution to the FBP target is virtually assured. The smelter is expected to be fully operational by September 30, 2001.

Of the remaining \$850 million, the Company had achieved \$430 million during the first three years of the program, from 1997 to 1999. In 2000, a further \$150 million of profit improvement was achieved to raise the total profit improvement to \$580 million.

Following the merger with algroup, the Company has set a new profit improvement goal. This objective includes the former algroup businesses and sets aggressive targets for all operations. In 2000, total earnings from operations before interest, taxes, depreciation and amortization (EBITDA) for the Company, including algroup for the full year on a pro-forma basis, were approximately \$2 billion. The Company has given itself the goal of improving this base of \$2 billion by \$1 billion, or 50%, over the two-year period of 2001 and 2002. This new target, based upon a benchmark LME price of \$1,500/t (compared to an average price of \$1,567/t in 2000) includes the remaining \$270 million from

the prior FBP program, the positive impact from the Alma smelter, the EBITDA to be generated by the recently acquired Korean rolling mills, the EBITDA improvement of the former algroup businesses, as well as the impact of the merger related synergies.

Revenues

	2000	1999	1998
Sales and operating revenues (millions of US\$)	9,148	7,324	7,789
Total aluminum volume ¹ (kt)	3,509	3,085	2,941
Average sales price realizations (US\$/t)			
Ingot products	1,667	1,511	1,558
Rolled products ²	2,455	2,209	2,603

¹ Includes shipments of ingot and rolled products, conversion of customer-owned metal as well as aluminum used in engineered products and packaging.

² Includes foil products for 1998 only; foil operations have been reclassified to the packaging segment for 1999 and 2000.

Sales and operating revenues, at \$9,148 million, were 25% higher than the level of 1999, and 17% higher than 1998. Compared to both 1999 and 1998, the increase in 2000 was attributable mainly to higher average metal prices and to the inclusion of the former algroup results for the fourth quarter, which added 226 kt to total aluminum volume, and \$1.2 billion to revenues.

Other income, which comprises interest income and other non-operating gains, was \$96 million in 2000 compared to \$179 million in 1999 and \$231 million in 1998. The decrease in 2000 was due mainly to the lower asset disposal gains. In 1999 and 1998, these gains totalled \$110 million and \$156 million before taxes, respectively.

Costs and Expenses

Cost of sales and operating expenses increased by 25% in 2000, in line with the increase in sales and operating revenues. The increase was attributable mainly to the inclusion of algroup in the fourth quarter results, to higher average prices of purchased metal, to the increased volume of ingot purchases for the year, to higher energy costs, and to increased start-up and pre-operating expenses related to the Alma smelter and the restarts at the Lynemouth, U.K., and Sebree, Kentucky, smelters. However, as a percentage of sales and operating revenues, cost of sales and operating expenses remained stable at approximately 78%, compared to 1999 and 1998, reflecting in part the continued progress under the Company's FBP program.

(kt)	2000	1999	1998
Purchases of aluminum			
Ingot products	1,033	714	648
Scrap	572	538	535
Fabricated products	65	45	44
	1,670	1,297	1,227

Purchases of primary ingot increased in 2000 to support the higher level of fabricated product sales volumes, and also as a result of the metal trading activity of algroup, which was included for the fourth quarter of the year.

Oil prices increased by about 45% in 2000, compared to 1999, and natural gas prices increased by approximately 70% during the year. The Company did not bear the full impact of the higher oil prices due to forward purchases at lower prices. These increases had a negative impact on cost of sales, offset only slightly by a 7% reduction in caustic soda prices. During 1999, the impact of somewhat higher energy prices, compared to 1998, was negligible.

Depreciation and amortization expense was \$545 million compared to \$477 million in the previous year and \$462 million in 1998. The increase reflected depreciation on the algroup assets, the two rolling mills in South Korea acquired in late 1999 and early 2000, and the major expansion of the Pindamonhangaba (Pinda) rolling mill in Brazil, which was completed in late 1999.

Selling, administrative and general expenses, at \$405 million, increased 8% from the 1999 level of \$375 million, which represented a 16% decline from the 1998 level. The increase in 2000 was due mainly to the algroup merger, and expressed as a percentage of sales, these expenses fell to 4.4% representing a 14% improvement over 1999 and a 23% improvement compared to 1998.

Research and development expenses were \$81 million for 2000 compared to \$67 million and \$70 million in 1999 and 1998 respectively. Alcan's research and development activities are closely aligned with the needs of its core businesses, principally raw materials, smelting, fabrication, and packaging. The Company continues to maintain a strong effort in

environmental provision of \$14 million. The 1999 figure included rationalization costs of \$55 million, and included in 1998 was an asset write-off of \$143 million related to the Aughnish alumina refinery in Ireland, which was sold in early 1999.

Interest Costs

(millions of US\$)	2000	1999	1998
Interest expense	78	76	92
Interest capitalized	81	41	15
Total interest costs	159	117	107
Effective average interest rate (%)	7.1	6.9	6.7



Alcan is the only aluminum can sheet producer with operations in North and South America, Asia and Europe and its can recycling operations in both the U.S. and Brazil established new records in 2000.

developing sheet applications and technology for the automotive industry and is working closely with a number of automotive companies in this regard.

Other expenses were \$139 million compared to \$127 million in 1999 and \$219 million in 1998. In 2000, this included rationalization costs of \$45 million as well as a non-recurring

Total interest costs rose \$42 million due to debt incurred to finance capital expenditures and share repurchases, and to the inclusion of algroup's debt as a result of the merger. In 2000, \$81 million of interest was capitalized, compared to \$41 million in 1999, relating mainly to the construction of the new smelter in Alma, Quebec. In 1998, \$15 million of interest was capitalized, relating mainly to the Pinda, Brazil, and Alma projects.

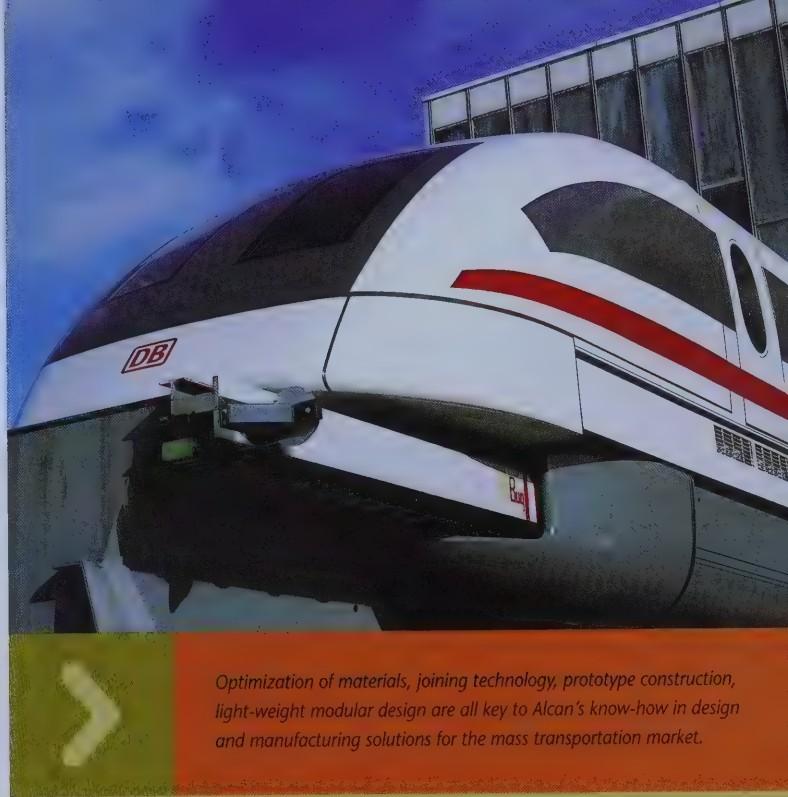
The Company expects capitalized interest of about \$25 million related to the Alma project during 2001. The pre-tax interest expense coverage ratio was 6.0 times in 2000, compared to 5.5 times in 1999 and 6.3 times in 1998.

Income Taxes

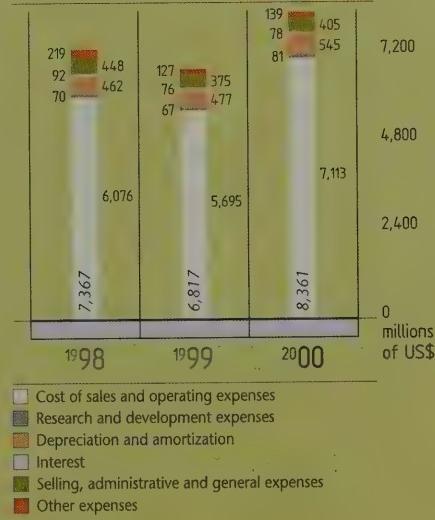
Income taxes of \$254 million for 2000 represented an effective rate of 29%, compared to 31% in 1999 and 32% in 1998. This compares to a composite statutory rate of 40.2% in Canada. In 2000, the difference in the rates was due primarily to investment and other allowances, prior years' tax adjustments and the impact of reduced tax rates on accumulated deferred income taxes. In 1999 and 1998, the difference in the rates was due primarily to prior years' tax adjustments, reduced rate or tax exempt items and investment and other allowances. In addition, a non-cash gain of \$18 million was recorded on the currency revaluation of deferred tax balances due to the weaker Canadian dollar during the year. In 1999, a loss of \$26 million for currency revaluation was recorded, while a gain of \$31 million was recorded in 1998.

Operating Segment Review

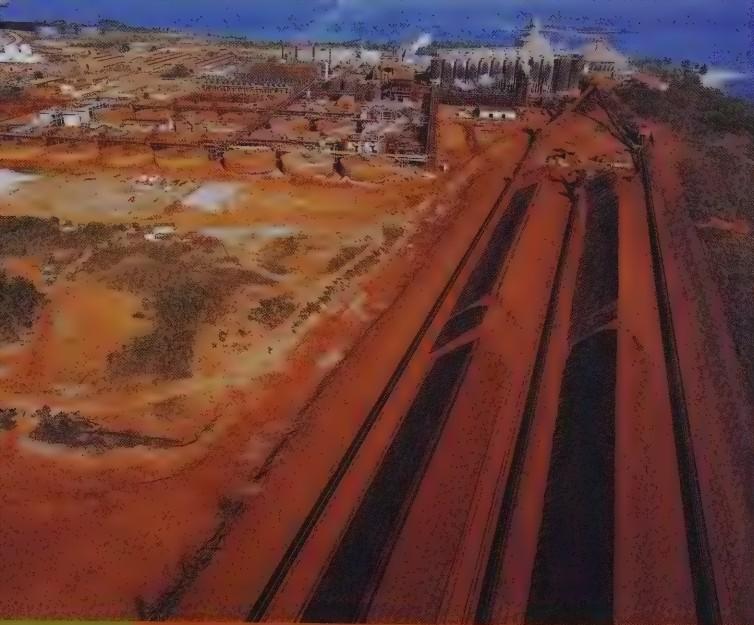
The following information is reported by major operating segment, viewing each segment on a stand-alone basis. Transactions between segments are conducted on an arm's-length basis and reflect market prices. Thus, earnings from primary metal operations include profit on metal produced by the Company, whether sold to third parties or used in the Company's fabricating and packaging operations. Earnings from the fabricated products and packaging operations represent only the fabricating profit from rolled products, engineered products and packaging products.



Costs and Expenses



Despite increased prices for purchased metal and energy, and higher start-up and pre-operating expenses, cost of sales and operating expenses remained stable at 78% of sales and operating revenues.



With 100% ownership of the Gove, Australia, alumina refinery and related bauxite mine, Alcan will further reduce its average alumina cost and has access to low-cost expansion potential.

The Primary Metal segment's EBITDA increased to \$994 million in 2000, an improvement of 78% compared to 1999. Higher metal prices, FBP progress and the inclusion of algroup's operations contributed to this improvement.

Following the merger with algroup in 2000, the operations were reorganized to create four operating segments. In addition to EVA, a key financial performance measure for the operating segments is EBITDA. Additional operating segment information is presented in note 22 to the financial statements. Comparative information has been restated to conform to the new organizational structure.

Primary Metal

(millions of US\$)	2000	1999	1998
Sales and operating revenues			
Third parties	2,123	1,689	1,813
Intersegment	1,667	1,317	1,405
EBITDA	994	557	629

The Primary Metal segment includes the Company's bauxite and alumina operations, as well as its primary aluminum facilities.

EBITDA from this segment increased 78% from the 1999 level reflecting higher realized prices for alumina and aluminum, the positive impact from continued progress under the FBP program, and the inclusion of algroup's operations in the fourth quarter of 2000. In 1999, primary metal segment EBITDA declined compared to 1998 reflecting lower realized prices, as well as higher rationalization, pre-operating and closure costs.

Bauxite and Alumina

(millions of US\$)	2000	1999	1998
Sales and operating revenues			
Third parties	470	413	509
Intersegment	536	479	516
EBITDA	265	118	192
Alumina shipments			
- third parties (kt)	975	1,153	1,641
Production (kt)			
Alumina hydrate	3,941	3,991	5,013

Bauxite and alumina EBITDA increased 125% in 2000 compared to the previous year, reflecting higher realized prices for alumina and bauxite as well as the addition of algroup's Gove, Australia, bauxite and alumina operation for the fourth quarter.

Average realized prices for alumina, which are highly correlated to metal prices, increased in 2000 as metal prices on the LME were 13% higher in 2000 compared to 1999. During 2000, spot prices for alumina also rose following an explosion that took place in July 1999 at a competitor's alumina refinery in the U.S. This refinery is expected to resume production in 2001 which, in conjunction with decreased alumina requirements resulting from the idling of significant smelting capacity in the U.S. Pacific Northwest, is expected to lower alumina spot prices in 2001.

The 1998 results included those of the Aughinish alumina refinery in Ireland, which was sold early in 1999.

Bauxite

In 1999, Alcan adopted the Australasian Code for Reporting of Mineral Resources and Ore Reserves, an internationally accepted reporting standard. On that basis, and including 100% of the Gove assets in Australia, Alcan's current proven ore reserves are estimated to be 422 Mt and measured mineral resources are estimated to be 454 Mt, representing increases of 66% and 118%, respectively, compared to 1999. The

Company has more than sufficient bauxite to meet its needs for the next 30 years based on current production capabilities.

In January 2000, the Ely bauxite reserves in Australia began supplying the Company's 21.4% interest in the Queensland Alumina Limited (QAL) refinery. Significant savings on bauxite costs were realized during the year, and will continue in the future.

The equity partners in the Mineração Rio do Norte S.A. (MRN) bauxite mine in Brazil, in which Alcan owns a 12.5% interest, have approved an expansion that would result in total production increasing by about 50%, from 11 Mt to 16.3 million tonnes per year (Mt/y), by 2003.

Alumina

Alumina hydrate production reached 3.9 Mt in 2000, a 1% decrease over 1999. Adjusting for divestitures and the algroup merger, production in 2000 was stable compared to 1999, which had been a record year, following an increase of 8% over 1998. In 2000, new records for hydrate production were achieved in Jamaica, the QAL refinery in Australia and the Alumar facility in Brazil.

Despite the increase in oil and natural gas prices, production costs increased by only 3% in 2000 compared to 1999. Partly offsetting the higher energy costs were reductions achieved under the ongoing FBP program during 2000.

In January 2001, the Company acquired the remaining 30% of the Gove alumina refinery and related bauxite mine at a cost of \$362 million, subject to certain post-closing adjustments which could require the payment of additional amounts of up to \$30 million. The refinery has a total annual capacity of 1.8 Mt of low-cost alumina. This investment will enable the Company to further reduce its average alumina cost, while giving it access to all of Gove's significant low-cost expansion potential.

In February 2001, the Company announced its intention to sell its 93% interest in the Alcan Jamaica Company, which operates bauxite and alumina facilities having a capacity of 1.2 Mt/y of alumina.

The Company continues to own a 35% interest in the proposed 1.2 Mt Utkal alumina project in Orissa, India.

The \$105-million modernization program for the Company's alumina refinery in Jonquière, Quebec, is progressing on schedule and within budget. The start-up has begun in certain areas and will help reduce alumina costs in 2001, with completion scheduled in 2002-03. The project is expected to result in higher productivity, improved process efficiencies and better environmental, health and safety working conditions.

Chemicals

Operating results in 2000 were better than in 1999, although the European operations continued to suffer losses, caused mainly by depressed selling prices, unfavourable exchange rates and lower shipment volumes. A major restructuring of the European operations is underway and is expected to result in improved performance in 2001. This follows a significant reduction in workforce already implemented in the latter part of 1999.

Primary Aluminum

(millions of US\$)	2000	1999	1998
Sales and operating revenues			
Third parties	1,653	1,276	1,304
Intersegment	1,674	1,312	1,394
EBITDA	729	439	437
Shipments ¹ (kt)			
Third parties	758	649	635
Intersegment	932	892	904
Production of primary aluminum (kt)	1,562	1,518	1,481

¹ Shipments of primary aluminum, including those resulting from metal trading activities. Data was restated for 1999 and 1998.

Primary aluminum EBITDA increased by 66% in 2000, reaching a level of \$729 million compared to \$439 million in 1999 and \$437 million in 1998. The main factors contributing to the increase were the improved ingot product realizations on third-party sales, which were 10% higher compared to 1999, the benefits arising from the FBP program and the addition of the former algroup's primary aluminum business. In 1999, EBITDA was similar to 1998, as the positive impact from reduced operating costs in 1999 was offset by higher start-up, pre-operating and rationalization costs, and by lower prices on third-party sales of primary ingot.

Primary aluminum production increased 2.9% in 2000 to 1,562 kt. Eleven of the Company's 15 smelters achieved record production in 2000. The positive contribution to production as it relates to the algroup merger and the restarts of idle capacity at the Sebree, U.S., and Lynemouth, U.K., smelters, more than offset the lost production in 2000 caused by the permanent closures of the Isle-Maligne, Quebec, and Kinlochleven,



Sheet ingot is lifted from the casting area of the Laterrière, Quebec, smelter. Together with Alcan's 14 other smelters worldwide, primary metal production levels were the best ever in 2000.

U.K., smelters: Production from the new smelter in Alma, Quebec, which commenced operations in October 2000, was negligible during the year.

Construction of the new smelter and casting center in Alma is approximately 90% completed and facilities are gradually being transferred to operations. The smelter

should reach full capacity of 400 kt/y by September 30, 2001, with production of about 270 kt in 2001. The smelter also has low-cost expansion capability of 133 kt/y.

Alcan's average cost of production of primary aluminum (mainly in the form of sheet ingot, extrusion billet and foundry ingot), including alumina at market prices, was \$1,337/t in 2000 compared to \$1,275/t in 1999 and \$1,327/t in 1998. Higher alumina prices had an unfavourable impact on costs, as did higher energy prices, more than offsetting the savings generated by the cost reductions related to the FBP program. This total metal production cost included special charges of \$94/t in 2000 compared to \$73/t in 1999 and \$46/t in 1998. The increase in special charges in 2000 was attributable mainly to Alma pre-operating expenses and start-up expenses for the Sebree and Lynemouth smelters (\$67/t in 2000). Excluding special charges, the average cost of production of primary aluminum increased by only 3.4% in 2000 compared to the previous year, despite higher alumina and purchased energy prices.

Almost all smelter production is in value-added form, such as sheet ingot, extrusion billet and foundry ingot, which costs more to produce than the remelt ingot sold on the LME. Despite the effect of the weakening U.S. economy during the last few months of 2000, Alcan achieved record sales for value-added ingots.

The Company installed a state-of-the-art research extrusion press at its Kingston, Ontario, facility in 2000, which will increase its knowledge and customer service capabilities as it relates to the metallurgical and extrusion processes. An extrusion scrap recycling facility in Sebree, Kentucky, became operational in 2000, and an expansion of Sebree's billet capacity was approved during the year, with expected completion in 2001. This investment will increase billet capacity by 65 kt/y. The average realized price on third-party sales of primary ingot was \$1,747/t compared to \$1,569/t in 1999 and \$1,618/t in 1998.

Fabricated Products – Americas and Asia

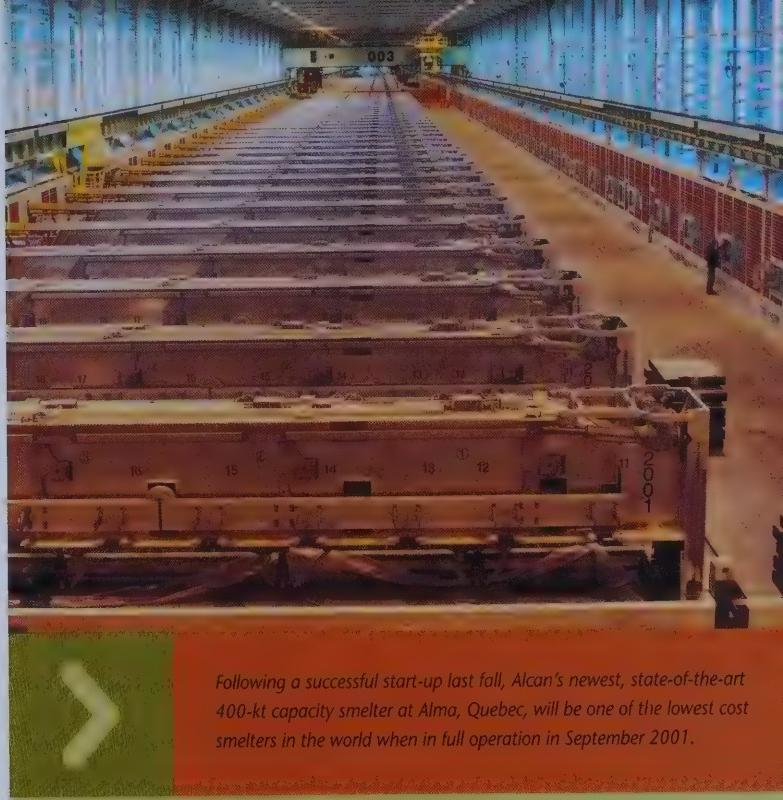
	2000	1999	1998 ¹
Sales and operating revenues			
Third parties	3,929	3,402	3,478
Intersegment	82	80	N/A
EBITDA	296	349	299
Total aluminum volume ² (kt)	1,648	1,481	1,395

¹ Includes foil products for 1998 only; foil operations have been reclassified to the packaging segment for 1999 and 2000. Intersegment data not available for 1998.

² Includes shipments of rolled products, conversion of customer-owned metal and aluminum used in engineered products.

The markets served by this business segment include containers and packaging, building and construction, industrial products, electrical, as well as automotive and other transportation sectors.

In 2000, EBITDA was \$296 million compared to \$349 million in 1999 and \$299 million in 1998. The decline in 2000 was attributable



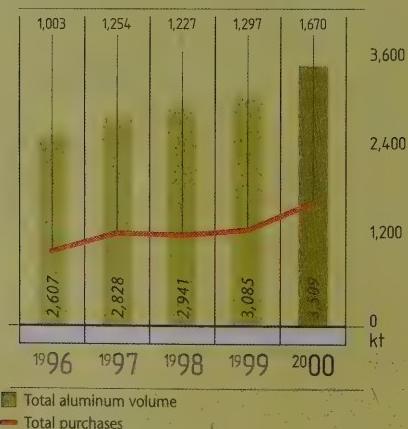
Following a successful start-up last fall, Alcan's newest, state-of-the-art 400-kt capacity smelter at Alma, Quebec, will be one of the lowest cost smelters in the world when in full operation in September 2001.

Despite the effect of the weakening U.S. economy during the last few months of 2000, Alcan achieved record sales for value-added ingots.



Alcan's recent investments as well as modernization and capacity expansions continue to solidify its global leadership position in rolled products.

Total Aluminum Volume¹ and Purchases



Increased aluminum shipments surpassed the increase in primary production, leading to higher metal purchases.

¹ Includes ingot and rolled products shipments, conversion of customer-owned metal as well as aluminum used in engineered products and packaging.

mainly to a squeeze in profit margins in North America and Asia, offset in part by an improvement in South America. In 1999, EBITDA was higher than in 1998, due mainly to the higher sales volume of rolled products and to cost reductions.

Highlights for 2000 included a 46% increase in shipment volumes in South America following the successful expansion and modernization of the Company's rolling mill located in Pinda, Brazil. In addition, through its 68%-owned subsidiary, Alcan Taihan Aluminum Limited (ATA), the Company acquired an equity interest of 95% in Aluminium of Korea Limited (Koralu) in May 2000 and has integrated its operations into ATA.

During 2000, Alcan's total aluminum volume from this segment increased 11% compared to 1999, as a result of the strategic focus on South American and Asian markets, which complements the segment's overall growth strategy given the maturity of North American markets.

Rolled Products

	2000	1999	1998 ¹
Shipments (kt)	1,269	1,096	1,035
Conversion of customer-owned metal (kt)	218	218	196
Total aluminum volume (kt)	1,487	1,314	1,231
EBITDA (millions of US\$)	261	307	265
Average price realizations ² (US\$/t)	2,401	2,239	2,418

¹ Includes foil products for 1998 only; foil operations have been reclassified to the packaging segment for 1999 and 2000.

² Excluding conversion of customer-owned metal.

EBITDA from rolled products was \$261 million in 2000, compared to \$307 million in 1999 and \$265 million in 1998. Although shipments and price realizations were higher in 2000, this was not sufficient to offset higher energy prices, the unfavourable impact due to the time lag in fully passing higher aluminum prices to customers, as well as losses from the South Korean operations.

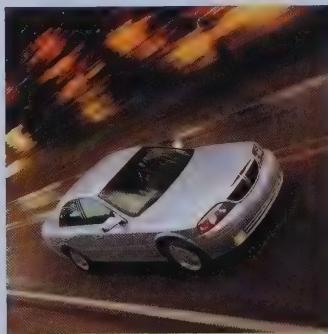
Alcan continues to consolidate its position of leadership in rolled products markets in North and South America following capacity expansions and modernization in recent years and, through its acquisitions in South Korea, has established a platform for growth in Asian markets.

Alcan's recent investments in modernization and capacity expansions continue to solidify its global leadership position in rolled products. Alcan is the only can sheet producer with operations in North America, South America, Asia and Europe.

In 2000, Alcan's North American rolled products business matched its previous year's record shipment level amid declining market conditions and increased competitiveness across all product lines, reflecting continued market share growth.

A project to upgrade rolling operations in Kingston, Ontario, was completed in 2000. This has improved the Company's ability to service the growing automotive market and expanded its industrial products capacity.

Despite a 3.5% decline in U.S. can sheet shipments by the industry in 2000 compared to 1999, the Company's shipments of can sheet increased by 1%, allowing it to gain market share owing to its focus on quality, service and its global leadership position.



The Lincoln LS, Motor Trend magazine's "2000 Car of the Year" makes extensive use of aluminum (450 lb/204 kg), including Alcan body sheet for the hood, front fenders and trunk lid — accounting for 40% of the metal body surface.

In January 2000, Alcan and Ford signed a significant multi-year aluminum supply agreement. During the year, both Ford and GM introduced demonstration aluminum intensive vehicles. The Ford Prodigy and GM Precept models use a wide range of aluminum applications including body structures and skin panels for significant weight and fuel savings.

In South America, Alcan achieved record sales levels in Brazil. Shipments of rolled products from South American operations grew by 46% in 2000 compared to 1999, as the Company's expanded and modernized rolling mill in Pinda, Brazil, enjoyed its first full year of production. The Company now expects this facility to reach full capacity by the end of 2001, two years ahead of schedule. Alcan is currently the only manufacturing company in South America capable of producing can sheet, and is therefore well positioned to benefit from the anticipated rapid growth in this region of the world.

Alcan's automotive sheet sales rose by approximately 75% in 2000 compared to 1999, despite a decline in vehicle production during the second half of the year. Although shipment volume levels to this market remain a minor portion of the Company's overall shipments, this growth performance exceeded that of the overall market in this key strategic market to Alcan.



Alcan's Koralu rolling complex at Ulsan (shown above), together with the mill at Yeongju, South Korea, provide a new platform for earnings growth in low-cost, technically advanced semi-fabricated products in Asia.

Alcan's aluminum can recycling operations in the United States increased throughput to establish a new record of 23.8 billion used beverage cans.

In Asia, shipments of rolled products more than doubled in 2000 to reach 239 kt compared to 117 kt in 1999. This increase was due primarily to the first full year of production at the Yeongju, South Korea, rolling mill acquired in September 1999. In addition, through its 68%-owned ATA subsidiary, Alcan acquired Koralu in May 2000, adding a second world-class rolling mill in South Korea. The Koralu acquisition further enhances Alcan's overall cost position in Asia and doubles the Company's annual production capacity in South Korea to 600 kt to meet the development of its chosen markets. The repositioning of Alcan in Asia included the sale of Indian Aluminum Company, Limited (Indal) during the year.

Recycling Activities

Alcan's aluminum can recycling operations in the United States increased throughput to establish a new record of 23.8 billion used beverage cans (UBCs), a 10% increase over last year. This represented an estimated 40% of aluminum beverage cans recycled in the U.S. in 2000. At the Berea, Kentucky, facility, already the largest UBC recycling facility in the world, production increased by 13% as a result of improved manufacturing efficiencies.

Alcan continues to expand the capacity of its state-of-the-art recycling plant at Pinda, in Brazil, to keep pace with the tremendous growth in demand for beverage cans in that region. Currently, Alcan recycles and processes 29% of all the aluminum cans collected in Brazil, and along with metal received from a third-party recycler, casts 50% of the UBCs collected in Brazil.

Engineered Products

(millions of US\$)	2000	1999	1998
Sales and operating revenues	538	494	644
EBITDA	35	42	34
Aluminum used in engineered products (kt)	161	167	164

Engineered products are comprised mainly of Alcan's North American cable business, where EBITDA declined in 2000 compared to 1999, mainly as a result of the weakening North American construction and housing activities in the second half of the year, exacerbated by an already competitive market place. As a result, shipments of cable products in 2000 decreased by about 2% following a number of years of sustained growth.

Sales of bare transmission and distribution cables for high voltage power supply were strong throughout the year. With demand for energy growing, the outlook for overhead transmission lines continues to be positive for 2001.

Fabricated Products – Europe

(millions of US\$)	2000	1999	1998
Sales and operating revenues			
Third parties	1,854	1,524	2,485
Intersegment	289	268	N/A
EBITDA	164	144	157
Total aluminum volume ² (kt)	712	620	717

¹ Includes foil products for 1998 only; foil operations have been reclassified to the packaging segment for 1999 and 2000. Intersegment data not available for 1998.

² Includes shipments of rolled products, conversion of customer-owned metal and aluminum used by engineered products.

With a significant presence in rolled products and engineered products, the markets served by this segment include containers and packaging, building and construction, industrial products, machinery and equipment, automotive and mass transportation, displays and facades.

The increase in EBITDA in 2000 compared to 1999 and 1998 resulted mainly from the inclusion of algroup's operations in the fourth quarter. Following the merger, Alcan now has a significant engineered products business in Europe. The merger also consolidates the company's leadership position in rolled products in that region. Results for 1998 included foil operations, which have been reclassified to the packaging segment for 1999 and 2000.

Rolled Products

	2000	1999	1998 ¹
Shipments (kt)	586	513	568
Conversion of customer-owned metal (kt)	110	97	93
Total aluminum volume (kt)	696	610	661
EBITDA (millions of US\$)	144	142	114
Average price realizations ² (US\$/t)	2,571	2,145	2,942

¹ Includes foil products for 1998 only; foil operations have been reclassified to the packaging segment for 1999 and 2000.

² Excluding conversion of customer-owned metal.

EBITDA was relatively flat in 2000 compared to 1999, as the increase in shipment volumes and price realizations was offset mainly by the strength of the pound sterling against other European currencies, which had an unfavourable impact on profits from U.K. based fabrication operations. In 1999, EBITDA was higher than in the prior year due mainly to the absence of rationalization charges that were recorded in 1998.

The European rolled product market grew in 2000, increasing by 3.8% over 1999. This mirrored the growth in overall aluminum consumption in Europe, which increased 3.7% in 2000, after having grown 3.2% in 1999.

Despite a very competitive environment, the European aluminum beverage can market grew in 2000, increasing its share from steel in the U.K. to 70% and showed strong growth in Eastern Europe. Alcan's total sales volume in Europe reached an all-time record in the beverage can market. Compared to 1999, can-body stock shipments increased by 8%, and shipments of can-end and can-tab were up by 34%.

The litho sheet market grew strongly during 2000, with Alcan's increase at more than twice the market growth. The Company achieved record litho sales in 2000, exceeding the 1999 level by 10%.

Engineered Products

	2000	1999	1998
Sales and operating revenues	188	58	653
EBITDA	20	2	43
Aluminum used in engineered products (kt)	16	10	56

The EBITDA generated by engineered products in Europe for 2000 relates only to algroup's operations in the fourth quarter. The year 1999 included engineered products operations in France and Germany, which were sold during the year.

Following the merger with algroup, Alcan now has a significant presence in engineered products in Europe. Alcan's main markets include:

- automotive systems and components, using extrusions and plastic components,
- large extrusions, composite panels and structures for lightweight mass transportation systems,
- composites for displays, facades and transport applications,
- large profile extrusions for building, transportation, machinery and equipment, and industrial markets.

Packaging

	2000	1999	1998 ¹
Sales and operating revenues	1,216	681	N/A
EBITDA	73	43	N/A
Aluminum used in packaging (kt)	175	125	N/A

¹ Excludes foil products for 1998 only; foil operations have been reclassified to the packaging segment from the fabricated product segments for 1999 and 2000.

The former algroup had significant operations in the specialty packaging industry. Alcan expects annual revenue to be approximately \$3 billion from this segment, compared to \$681 million in 1999. The year 2000 included the fourth quarter results of algroup.

Alcan's packaging revenues¹ can be broken down as follows:

By market	%
Food	47
Pharmaceutical	17
Tobacco	12
Cosmetics	7
Other	17
	100%
By type of input	%
Plastic and paper	42
Aluminum	38
Paperboard	9
Glass	9
Steel	2
	100%
By region	%
Europe	64
North America	32
South America	3
Asia	1
	100%

¹ Based on 1999 data.

Geographic Review

	2000	1999	1998
Canada	295	111	133
United States	155	178	144
Brazil	34	5	13
Germany	43	30	7
United Kingdom	10	18	2
Switzerland	1	3	—
Other Europe	17	13	(98) ¹
Australia	59	36	25
Asia	(22)	46	92 ²
Other	26	20	81
Net income	618	460	399

¹ Includes a write-down of \$120 million after-tax related to the sale of the Aughinish alumina refinery in Ireland.

² Includes a gain of \$140 million after-tax related to the sale of a portion of the Company's investment in Nippon Light Metal Company, Ltd.

In Canada, the increase in net income compared to 1999 and 1998 resulted mainly from higher aluminum prices and favourable tax adjustments. In addition, rationalization charges were lower than in 1999.

In the United States, net income was lower than in 1999 due mainly to higher energy costs, the time lag in passing metal prices to customers, lower shipments in certain rolled products markets as a result of the slowing U.S. economy, a non-recurring environmental provision, and a less favourable sales product mix. Partly offsetting these factors were increased earnings from the U.S. smelting operation due to higher metal prices, and the restart of idled capacity at the Sebree, Kentucky, smelter. Net income for 1999 was higher than in 1998 due mainly to increased sales volumes and lower operating costs.

In Brazil, the improvement in net income for 2000 was attributable mainly to higher shipment volumes of rolled products and lower unit production costs following the first full year of production from the expanded Pinda rolling mill. Compared to 1998, operating results in 1999 were affected by the impact of the economic crisis early in the year as well as depreciation and start-up costs for the Pinda expansion.

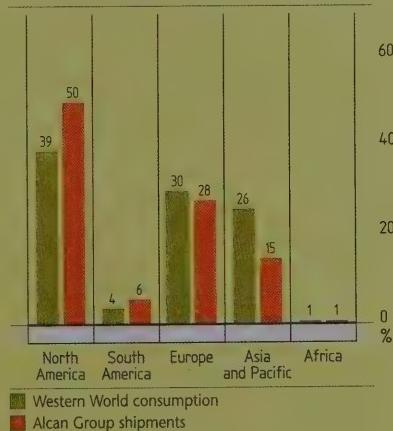
In Germany, the increase in net income for 2000 was caused mainly by a reduction in Germany's deferred income tax liability of \$12 million due to a reduction in tax rates in that country. Excluding special items, 1999 net income was similar to the 1998 level. In 1999, the special item was a \$25-million net gain on sale of a business. In 1998, the special item comprised of a net rationalization charge of \$3 million.

In the U.K., the decline in net income in 2000 was due mainly to net rationalization charges of \$18 million associated with the closure of the foil operations at Rogerstone and the strength of the pound sterling against other European currencies, offset in part by higher average metal prices on ingot sales and the restart of idled capacity at the Lynemouth smelter. Excluding special items, 1999 net income from the U.K. was in line with the prior year. In 1999, special items were a net \$12-million gain, comprised of a \$16-million gain on sale of property offset in part by rationalization costs of \$4 million. In 1998, special items were net rationalization costs of \$6 million.



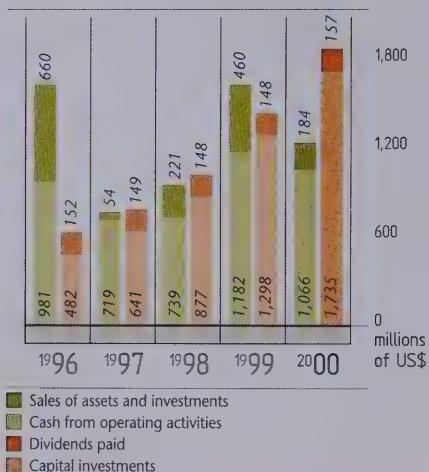
Alcan's pharmaceutical sector, the world's No. 1 packaging supplier, combines a multi-line product, offering a global account management process and effectively channels innovative packaging solutions to leading pharmaceutical companies worldwide.

2000 Aluminum Shipments by Region

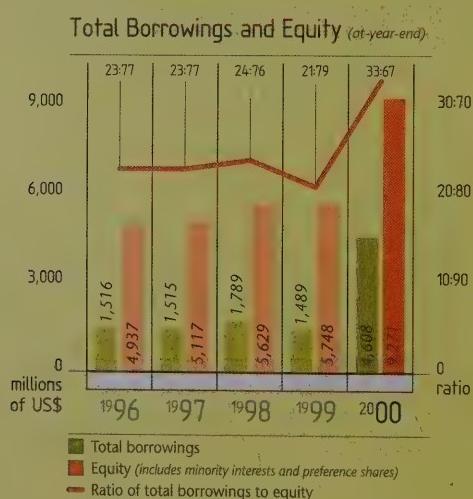


Alcan is well positioned to serve key markets in all regions.

Cash Flows



Capital investments during the year included \$850 million for the Alma, Quebec, smelter, and \$200 million to acquire Koralu, in South Korea.



The Company maintains a healthy balance sheet, with a debt:equity ratio of 33:67 at the end of 2000.

In Australia, net income for 2000 was higher than in 1999 and 1998, due mainly to higher alumina prices and to the addition of the Gove bauxite and alumina operations in the fourth quarter of 2000 and to the benefits arising from the bauxite mining and exchange agreement with Comalco for the development of the Company's Ely bauxite reserves to supply its interest in the QAL refinery.

In Asia, the decline in 2000 net income resulted primarily from the absence of a \$37-million net business disposal gain recorded in 1999 for the sale of shares in Nippon Light Metal Company, Ltd (NLM), and from losses incurred by the rolled products operations in South Korea, acquired in late 1999 and early 2000. The 1998 net income related primarily to a gain arising from the sale of a large portion of Alcan's stake in NLM.

Activities in other areas include bauxite and alumina operations in Jamaica, bauxite mining operations in Guinea and Ghana, smelting operations in Iceland, packaging operations in Turkey and Puerto Rico, and trading, shipping and insurance activities in Bermuda. Alcan also sells products in other parts of the world such as the Middle East and Africa.

Liquidity and Capital Resources

Operating Activities

Cash generation, calculated by taking the net income for the year and adding back depreciation, amortization and deferred income taxes, was \$1,231 million compared to \$1,047 million in 1999 and \$890 million in 1998. The improvement mainly reflected increased metal prices and the inclusion of algroup's results in the fourth quarter of 2000.

Net operating working capital increased by \$223 million in 2000 compared to a decline of \$239 million in 1999 and an increase of \$106 million in 1998. The increase in 2000 was due mainly to a refinancing of trade payables by short-term borrowings in South Korea, as well as a decrease in payables related to the Alma smelter in Quebec.

Investment Activities

Capital investment in the year was \$1.7 billion, an increase from the previous two years, which were \$1.3 billion and \$877 million respectively. Capital investments in 2000 included about \$850 million related to the Alma smelter project in Quebec, \$200 million for the acquisition of Koralu, and the capital expenditures for the former algroup operations in the fourth quarter of 2000. On an ongoing basis, approximately \$750 million is required annually to maintain the integrity and competitiveness of the Company's assets.

In October 2000, the Company made a pre-acquisition loan of \$532 million to algroup in order to finance a special payment to algroup shareholders as part of the share exchange offer.

In 2001, capital expenditures are projected to total \$1.1 billion, including about \$300 million for the completion of the Alma smelter. In addition, as mentioned previously, the Company has acquired the remaining 30% of the Gove alumina refinery and related bauxite mine at a cost of \$362 million, subject to certain post-closing adjustments which could require the payment of additional amounts of up to \$30 million. The Company expects to realize about \$400 million from asset disposals during 2001.

Disposal of assets in 2000 was mainly comprised of the sale of shares in Indal and of a small panel business in Thailand.

Financing Activities

Reflecting the inclusion of algroup's debt, increased capital expenditures and funds required to repurchase shares, total borrowings increased to \$4.6 billion at the end of 2000 compared to \$1.5 billion at the end of 1999. The debt-to-equity ratio was 33:67 at the end of 2000 compared to 21:79 at the end of 1999.

In October 2000, the Company issued 115.4 million common shares in exchange for 99.4% of algroup's shares.

During 2000, the Company purchased for cancellation 16.6 million of its common shares, at a total cost of \$530 million, under a normal course issuer bid program which was initiated in June 2000. At the end of 2000, outstanding shares totalled 317.9 million compared to 218.3 million at the end of 1999.

In January 2000, \$100 million 9.5% debentures were redeemed at a price of 104.64%. In April 2000, \$150 million 5.875% debentures matured and were repaid. In July 2000, the remaining \$18 million of the 9.625% sinking fund debentures were purchased at par. In January 2001, the CHF150 million 6.75% debentures were redeemed at par. Commercial paper outstanding increased from \$30 million at the beginning of 2000 to \$1,475 million at the end of the year.

Cash reserves totalled \$261 million at the end of 2000 compared to \$315 million at the end of 1999. Alcan has increased committed credit facilities to \$2.75 billion through the establishment of a new \$1.75-billion multi-currency credit facility, in addition to a previously existing \$1-billion credit facility. As at December 31, 2000, \$250 million had been drawn and \$1.5 billion used as "back-up" for commercial paper in issue under

these facilities. In addition to the balance available under these facilities, the Company's investment grade rating continues to provide Alcan with access to global capital markets through the issuance of commercial paper, debt and equity instruments.

The quarterly common share dividend remained at 15 cents per common share in 2000. Total dividends paid (common and preferred) to shareholders were \$155 million in 2000 compared to \$140 million in 1999.

The Company expects that cash generation from operations, combined with the above resources, will be more than sufficient to meet the cash requirements of operations, planned capital expenditures and dividends. In addition, the Company considers that its ability to access capital markets should provide any additional liquidity which may be required to meet unforeseen events.

Environmental Matters

Underlying Alcan's environmental commitments are a number of factors. These include a clear approach to environmental management systems, continual improvement of environmental control systems, dedicated environmental professionals, and ongoing employee involvement.

Alcan is also committed to making the most of the inherent environmental value of aluminum and other materials in every stage of our products' life cycles.

In most of the countries where Alcan operates production facilities, environmental control regulations have been established or are in the process of being established. Alcan believes that its existing and planned anti-pollution measures will enable it to satisfy statutory and regulatory demands without material effect on its competitive position.

Alcan's capital expenditures to protect the environment and improve working conditions at the smelters and other locations were \$133 million in 2000. Similar expenditures for 2001 and 2002 are projected to be \$110 million and \$130 million, respectively. In addition, expenditures charged against income for environmental protection were \$91 million in 2000 and are expected to be \$115 million in 2001 and \$110 million in 2002.

Risks and Uncertainties

Risk Management

As a multinational company, which is to a large degree engaged in a commodity-related business, Alcan's financial performance is heavily influenced by fluctuations in metal prices and exchange rates. In order to reduce the associated risks, the Company uses a variety of financial instruments and commodity contracts. All risk management activities are governed by clearly defined policies and management controls. Transactions in financial instruments for which there is no underlying exposure are prohibited.

The decision whether and when to commence a hedge, along with the duration of the hedge, can vary from period to period depending on market conditions and the relative costs of various hedging instruments. The duration of a hedge is always linked to the timing of the underlying transaction, with the connection between the two being constantly monitored to ensure effectiveness.

Foreign Currency Exchange

Exchange rate movements, particularly between the Canadian dollar and the U.S. dollar, have an impact on Alcan's results. For example, on an annual basis, each US\$0.01 permanent change in the value of the Canadian dollar has an after-tax impact of approximately \$11 million

on the Company's long-term profitability. Alcan benefits from a weakening in the Canadian dollar, but, conversely, is disadvantaged if it strengthens.

In 1999, the Company revised its currency risk management strategy for its ongoing Canadian dollar operating cost exposure. The Company used to hedge a portion of such ongoing Canadian dollar requirements for future periods up to a maximum of three years. This deferred the impact of changes in exchange rate, without adding value over the longer term. The Company no longer hedges these exposures, thus eliminating the cost of hedging instruments and program administration. This change in approach does not affect the Company's hedging of its Canadian dollar capital commitments for the construction of the new smelter at Alma, Quebec.

Following the algroup merger, exchange movements between the Euro and U.S. dollar have a greater impact on the Company's results. It is estimated, based on the current European earnings base, that each US\$0.01 permanent change in the value of the Euro has an annual after-tax translation impact of approximately \$3 million on profitability. Alcan benefits from a strengthening of the Euro, but, conversely, is disadvantaged if it weakens.

For further details, refer to note 17 of the financial statements.



From the luxury Audi A8 (shown above in production) to the fuel-efficient A2, total vehicle weight is reduced thanks to a light-weight, high-strength aluminum structure and body panels.

On an annual basis, each \$100/t change in the price of aluminum has an after-tax impact of \$130 million on the Company's profitability.

The Company's deferred income tax liability in Canada is translated into U.S. dollars at current rates, and the resultant exchange gains or losses are included in income. The impact of a US\$0.01 movement in the value of the Canadian dollar on deferred income taxes is approximately \$7 million. During 2000, a gain of \$18 million was recorded in this regard, compared to a loss of \$26 million in 1999.

Aluminum Prices

Depending on market conditions and logistical considerations, Alcan may sell primary aluminum to third parties and may purchase primary aluminum and secondary aluminum, including scrap, on the open market to meet the requirements of its fabricating businesses. In addition, depending on pricing arrangements with fabricated products customers, Alcan may hedge some of its purchased metal supply in support of those sales.

Through the use of forward purchase and sale contracts and options, Alcan seeks to limit the impact of lower metal prices, while retaining the ability to benefit from higher prices.

Alcan estimates that on an annual basis, each \$100 per tonne change in the price of aluminum has an after-tax impact of approximately \$130 million on the Company's profitability.

For further details, refer to note 17 of the financial statements.

The Year 2000 Issue

No Alcan operating location has experienced any material disruption to planned production levels caused by a Year 2000-related problem associated with its systems hardware and related software used in business applications or manufacturing processes. Information received at the beginning of 2000 from suppliers and customers indicates that no major supplier or customer has experienced a Year 2000-related disruption that could have a significant impact on Alcan.

Costs of Alcan's Year 2000 program were expensed as incurred and were less than \$50 million, most of which was spent prior to 2000.

Cautionary Statement

Statements in this report that describe the Company's objectives, projections, estimates, expectations or predictions may be "forward looking statements" within the meaning of applicable securities laws and regulations. The Company cautions that such statements involve risk and uncertainty and that actual actions or results could differ materially from those expressed or implied. Important factors that could cause differences include global supply and demand conditions for aluminum and other products, aluminum ingot prices and changes in raw material costs or availability, changes in the relative value of various currencies, cyclical demand and pricing within the principal markets for the Company's products, changes in government regulations, particularly those affecting environmental, health or safety compliance, relationships with and financial and operating conditions of customers and suppliers, the effects of integrating acquired businesses and the ability to attain expected benefits, economic developments within the countries in which the Company conducts business, and other factors relating to the Company's operations, such as litigation, labor negotiations and fiscal regimes.

Financial Section



Responsibility for the Annual Report

Alcan's management is responsible for the preparation, integrity and fair presentation of the financial statements and other information in the Annual Report. The financial statements have been prepared in accordance with generally accepted accounting principles in Canada and include, where appropriate, estimates based on the best judgement of management. A reconciliation with generally accepted accounting principles in the United States is also presented. Financial and operating data elsewhere in the Annual Report are consistent with that contained in the accompanying financial statements.

Alcan's policy is to maintain systems of internal accounting and administrative controls of high quality consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is accurate and reliable and that Company assets are adequately accounted for and safeguarded. The Board of Directors oversees the Company's systems of internal accounting and administrative controls through its Audit Committee, which is comprised of directors who are not employees. The Audit Committee meets regularly with representatives of the shareholders' independent auditors and management, including internal audit staff, to satisfy themselves that Alcan's policy is being followed.

The Audit Committee has recommended the appointment of PricewaterhouseCoopers LLP as the independent auditors, subject to approval by the shareholders.

The financial statements have been reviewed by the Audit Committee and, together with the other required information in this Annual Report, approved by the Board of Directors. In addition, the financial statements have been audited by PricewaterhouseCoopers LLP, whose report is provided on page 46.

OECD Guidelines

Auditors' report

Consolidated Financial Statements

Notes to Consolidated Financial Statements

Eleven-Year Summary

Quarterly Financial Data

W. R. C. Blundell

W. R. C. Blundell,
Interim Chief Executive Officer

February 15, 2001

S. Thadhani

Suresh Thadhani,
Chief Financial Officer

OECD Guidelines

The Organization for Economic Cooperation and Development (OECD), which consists of 29 industrialized countries including Canada, has established guidelines setting out an acceptable framework of reciprocal rights and responsibilities between multinational enterprises and host governments. Alcan supports and complies with the OECD guidelines and has a *Code of Conduct*, which is consistent with them.

Auditors' Report

To the Shareholders of Alcan Inc. (formerly Alcan Aluminium Limited)

We have audited the consolidated balance sheets of Alcan Inc. (formerly Alcan Aluminium Limited) as at December 31, 2000, 1999 and 1998 and the consolidated statements of income, retained earnings and cash flows for each of the years in the three-year period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Canada and the United States. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000, 1999 and 1998 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2000 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants

Montreal, Canada
February 15, 2001

Consolidated Financial Statements

Consolidated Statement of Income (in millions of US\$, except per share amounts)

<i>Year ended December 31</i>		2000	1999	1998
Revenues	Sales and operating revenues	\$ 9,148	\$ 7,324	\$ 7,789
	Other income (notes 9 and 10)	96	179	231
		9,244	7,503	8,020
Costs and expenses	Cost of sales and operating expenses	7,113	5,695	6,076
	Depreciation and amortization (note 2)	545	477	462
	Selling, administrative and general expenses	405	375	448
	Research and development expenses	81	67	70
	Interest	78	76	92
	Other expenses (notes 5, 9 and 10)	139	127	219
		8,361	6,817	7,367
	Income before income taxes and other items	883	686	653
	Income taxes (note 6)	254	211	210
	Income before other items	629	475	443
	Equity income (loss) (note 8)	4	(1)	(48)
	Minority interests	1	(14)	4
	Net income before amortization of goodwill	\$ 634	\$ 460	\$ 399
	Amortization of goodwill (note 2)	16	—	—
	Net income	\$ 618	\$ 460	\$ 399
	Dividends on preference shares	10	9	10
	Net income attributable to common shareholders	\$ 608	\$ 451	\$ 389
	Net income per common share before amortization of goodwill (note 2)	\$ 2.50	\$ 2.06	\$ 1.71
	Amortization of goodwill per common share (note 2)	0.05	—	—
	Net income per common share (note 2)	\$ 2.45	\$ 2.06	\$ 1.71
	Dividends per common share	\$ 0.60	\$ 0.60	\$ 0.60

Consolidated Statement of Retained Earnings (in millions of US\$)

<i>Year ended December 31</i>		2000	1999	1998
	Retained earnings – beginning of year	\$ 4,227	\$ 4,078	\$ 3,862
	Net income	618	460	399
		4,845	4,538	4,261
	Amount related to common shares purchased for cancellation	400	171	37
	Dividends – Common	145	131	136
	– Preference	10	9	10
	Retained earnings – end of year (note 15)	\$ 4,290	\$ 4,227	\$ 4,078

Consolidated Financial Statements (cont'd)

Consolidated Balance Sheet (*in millions of US\$*)

		2000	1999	1998
<i>December 31</i>				
Assets	Current assets			
	Cash and time deposits	\$ 261	\$ 315	\$ 615
	Receivables (net of allowances of \$55 in 2000, \$31 in 1999 and \$43 in 1998)	2,280	1,299	1,401
	Inventories			
	Aluminum operating segments			
	– Aluminum	1,034	709	826
	– Raw materials	414	294	345
	– Other supplies	268	188	242
		1,716	1,191	1,413
	Packaging operating segment	399	85	—
		2,115	1,276	1,413
		4,656	2,890	3,429
	Deferred charges and other assets (<i>note 8</i>)	719	525	575
	Property, plant and equipment (<i>note 9</i>)			
	Cost (excluding Construction work in progress)	14,807	11,771	11,758
	Construction work in progress	1,979	1,220	911
	Accumulated depreciation	6,753	6,557	6,772
		10,033	6,434	5,897
	Intangible assets, net of accumulated amortization (<i>note 9</i>)	330	—	—
	Goodwill, net of accumulated amortization (<i>notes 3 and 9</i>)	2,669	—	—
	Total assets	\$ 18,407	\$ 9,849	\$ 9,901
Liabilities and Shareholders' Equity	Current liabilities			
	Payables	\$ 2,427	\$ 1,268	\$ 1,132
	Short-term borrowings	1,080	167	86
	Debt maturing within one year (<i>note 12</i>)	333	311	166
		3,840	1,746	1,384
	Debt not maturing within one year (<i>notes 12 and 17</i>)	3,195	1,011	1,537
	Deferred credits and other liabilities (<i>note 11</i>)	874	563	604
	Deferred income taxes (<i>note 6</i>)	1,227	781	747
	Minority interests	244	207	110
	Shareholders' equity			
	Redeemable non-retractable preference shares (<i>note 13</i>)	160	160	160
	Common shareholders' equity			
	Common shares (<i>note 14</i>)	4,597	1,230	1,251
	Retained earnings (<i>note 15</i>)	4,290	4,227	4,078
	Deferred translation adjustments (<i>note 16</i>)	(20)	(76)	30
		8,867	5,381	5,359
		9,027	5,541	5,519
	Commitments and contingencies (<i>note 18</i>)			
	Total liabilities and shareholders' equity	\$ 18,407	\$ 9,849	\$ 9,901

Approved by the Board:

W. R. C. Blundell, Director

Guy Saint-Pierre, Director

Consolidated Financial Statements (cont'd)

Consolidated Statement of Cash Flows (in millions of US\$)

Year ended December 31		2000	1999	1998
Operating activities	Net income	\$ 618	\$ 460	\$ 399
	Adjustments to determine cash from operating activities:			
	Depreciation and amortization	561	477	462
	Deferred income taxes	52	110	29
	Equity (income) loss – net of dividends	(3)	2	53
	Change in operating working capital			
	Change in receivables	(981)	101	(109)
	Change in inventories	(839)	137	(72)
	Change in payables	1,160	137	(18)
	Changes in operating working capital due to:			
	Deferred translation adjustments	(41)	(82)	46
	Acquisitions, disposals and consolidations/deconsolidations	478	(54)	47
		(223)	239	(106)
	Change in deferred charges, other assets, deferred credits and other liabilities – net	28	(26)	(113)
	Gain on sales of businesses – net	(9)	(110)	(156)
	Impairment in value of property, plant and equipment	—	—	143
	Other – net	42	30	28
	Cash from operating activities	1,066	1,182	739
Financing activities	New debt	1,586	13	359
	Debt repayments	(419)	(347)	(57)
		1,167	(334)	302
	Short-term borrowings – net	280	45	(169)
	Common shares purchased for cancellation	(530)	(219)	(46)
	Common shares issued	21	27	9
	Redemption of preference shares	—	—	(43)
	Dividends – Alcan shareholders (including preference)	(155)	(140)	(146)
	– Minority interests	(2)	(8)	(2)
	Cash from (used for) financing activities	781	(629)	(95)
Investment activities	Property, plant and equipment	(1,491)	(1,169)	(805)
	Business acquisitions	(244)	(129)	(72)
		(1,735)	(1,298)	(877)
	Net proceeds from disposal of businesses, investments and other assets	184	460	221
	Preacquisition loan to algroup to finance special payment to algroup shareholders	(532)	—	—
	Cash used for investment activities	(2,083)	(838)	(656)
	Effect of exchange rate changes on cash and time deposits	2	(11)	2
	Decrease in cash and time deposits	(234)	(296)	(10)
	Cash of companies consolidated (deconsolidated) – net	180	(4)	17
	Cash and time deposits – beginning of year	315	615	608
	Cash and time deposits – end of year	\$ 261	\$ 315	\$ 615

Notes to Consolidated Financial Statements

(in millions of US\$, except where indicated)

1 > Nature of Operations

Alcan is engaged, together with subsidiaries, joint ventures and related companies, in most aspects of the aluminum and specialty packaging businesses on an international scale. Its operations include the mining and processing of bauxite, the basic aluminum ore; the refining of bauxite into alumina; the generation of electric power for use in smelting aluminum; the smelting of aluminum from alumina; the recycling of used and scrap aluminum; the fabrication of aluminum, aluminum alloys and non-aluminum materials into semi-fabricated and finished products; the producing and converting of specialty packaging and packaging products for many industries including the food, pharmaceutical, cosmetic and health sectors; the distribution and marketing of aluminum, non-aluminum and packaging products; and, in connection with its aluminum operations, the production and sale of industrial chemicals. Alcan, together with its subsidiaries, joint ventures and related companies, has bauxite holdings in six countries, produces alumina in five, smelts primary aluminum in seven, operates aluminum fabricating plants in 16, has packaging facilities in 14 and has sales outlets and maintains warehouse inventories in the larger markets of the world. Alcan also operates a global transportation network that includes bulk cargo vessels, port facilities and freight trains.

2 > Summary of Significant Accounting Policies

Generally Accepted Accounting Principles

Unless otherwise stated, these financial statements conform with generally accepted accounting principles (GAAP) in Canada. Note 4 provides an explanation and reconciliation of differences in Canadian and U.S. GAAP.

Use of Estimates

The preparation of financial statements in conformity with GAAP in Canada and the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of Consolidation

These consolidated financial statements include the accounts of subsidiaries that are controlled by Alcan, all of which are majority owned. Joint ventures, irrespective of percentage of ownership, are proportionately consolidated to the extent of Alcan's participation. Companies subject to significant influence are accounted for using the equity method. Under the equity method, Alcan's investment is increased or decreased by Alcan's share of the undistributed net income or loss and deferred translation adjustments since acquisition. Investments in companies in which Alcan does not have significant influence are accounted for using the cost method. Under the cost method, dividends received are recorded as income.

Intercompany balances and transactions, including profits in inventories, are eliminated.

Foreign Currency

The financial statements of self-sustaining foreign operations (located principally in Europe and Asia) are translated into U.S. dollars at prevailing exchange rates. Revenues and expenses are translated at average exchange rates for the year while assets and liabilities are translated at exchange rates in effect at year-end. Differences arising from exchange rate changes are included in the Deferred translation adjustments (DTA) component of Common shareholders' equity. If there is a reduction in the Company's ownership in a foreign operation, the relevant portion of DTA is recognized in Other income or Other expenses at that time. All other operations, including those in Canada, are considered to be integrated foreign operations having the U.S. dollar as the functional currency. Under this method, monetary items are translated at current rates and translation gains and losses are included in income except for unrealized gains and losses arising from the translation of long-term monetary assets and liabilities, which are deferred and amortized over the remaining lives of the related items. Non-monetary items are translated at historical rates.

Gains or losses on forward exchange contracts or currency options, all of which serve to hedge certain future identifiable foreign currency exposures, are included, together with related hedging costs, in Sales and operating revenues, Cost of sales and operating expenses or Property, plant and equipment, as applicable, concurrently with recognition of the underlying items being hedged.

Unrealized gains or losses on currency swaps, all of which are used to hedge certain identifiable foreign currency debt obligations, are recorded concurrently with the unrealized gains or losses on the debt obligations being hedged.

Other gains and losses from foreign currency denominated items are included in Other income or Other expenses.

Notes to Consolidated Financial Statements (cont'd)

(in millions of US\$, except where indicated)

2 > Summary of Significant Accounting Policies (cont'd)

Revenue Recognition

The Company recognizes revenue when goods are shipped or services performed and when significant risks and benefits of ownership are transferred.

Commodity Contracts and Options

Gains or losses on forward metal contracts and options, all of which serve to hedge certain future identifiable aluminum price exposures, are included, together with related hedging costs, in Sales and operating revenues or Cost of sales and operating expenses, as applicable, concurrently with recognition of the underlying items being hedged.

Interest Rate Swaps

Amounts receivable or payable under interest rate swaps are recorded in Interest concurrently with the interest expense on the underlying debt.

Inventories

Aluminum, raw materials, packaging products and other supplies are stated at cost (determined for the most part on the monthly average method) or net realizable value, whichever is lower.

Capitalization of Interest Costs

The Company capitalizes interest costs associated with the financing of major capital expenditures.

Depreciation

Depreciation is calculated on the straight-line method using rates based on the estimated useful lives of the respective assets. The principal rates range from 2% to 10% for buildings and structures, 1% to 4% for power assets and 3% to 20% for chemical, smelter and fabricating assets.

Amortization and Impairment of Goodwill

Goodwill is recorded at cost less accumulated amortization and is amortized over a period of 40 years using the straight-line method of amortization. Periodic assessments will be made to determine whether there is permanent impairment in the remaining unamortized goodwill balance based on the undiscounted cash flows of the underlying operations.

Amortization of Intangible Assets

Intangible assets are recorded at cost less accumulated amortization and are amortized over 15 years using the straight-line method of amortization.

Environmental Costs and Liabilities

Environmental expenses are accrued when it is probable that a liability for past events exists. For future removal and site restoration costs, provision is made in a systematic manner by periodic charges to income, except for assets that are no longer in use, in which case full provision is charged immediately to income. Environmental expenses are normally included in Cost of sales and operating expenses except for large, unusual amounts which are included in Other expenses. Accruals related to environmental costs are included in Payables and Deferred credits and other liabilities.

Environmental expenditures of a capital nature that extend the life, increase the capacity or improve the safety of an asset or that mitigate or prevent environmental contamination that has yet to occur are included in Property, plant and equipment and are depreciated generally over the remaining useful life of the underlying asset.

Notes to Consolidated Financial Statements (cont'd)

(in millions of US\$, except where indicated)

2 > Summary of Significant Accounting Policies (cont'd)

Post-retirement Benefits Other than Pensions

The costs of post-retirement benefits other than pensions are recognized on an accrual basis over the working lives of employees.

Income Taxes

Since 1998, the Company uses the liability method for income taxes, under which deferred income tax liabilities are revalued for all changes in tax rates and exchange rates. Prior to 1998, the Company used the deferral method.

Cash and Time Deposits

All time deposits have maturities of 90 days or less and qualify as cash equivalents.

Net Income per Common Share

Net income per common share is calculated by dividing Net income attributable to common shareholders by the average number of common shares outstanding (2000: 248.2 million; 1999: 219.1 million; 1998: 227.4 million). Net income attributable to common shareholders is computed by subtracting Preference dividends from Net income.

3 > Combination with Alusuisse Group Ltd

Pursuant to the combination agreement entered into between the Company and Alusuisse Group Ltd (algroup), the shareholders of algroup, in response to the Company's share exchange offer, tendered 6,747,707 shares, representing 99.37% of the outstanding registered algroup shares, in exchange for 115,385,790 shares of the Company valued at \$30.11 per share. Accordingly, the combination was completed and algroup became a subsidiary of the Company on October 17, 2000. The Company is proceeding to acquire the remaining shares of algroup in accordance with the provisions of Swiss law. algroup is a diversified industrial enterprise whose activities are focused on aluminum and packaging. In addition, the Company assumed from algroup total debt of \$2,171.

The combination is accounted for using the purchase method of accounting and the results of operations of algroup are included in the Consolidated Financial Statements since acquisition. The purchase price was allocated in the accounts based on the assigned fair values of the assets acquired and liabilities assumed as follows:

Fair value of net assets acquired	
Cash and time deposits	\$ 175
Other current assets	1,657
Deferred charges and other assets	117
Capital assets	3,008
Current liabilities	1,997
Long-term debt*	1,292
Deferred credits and other liabilities	303
Deferred income taxes	467
Fair value of net assets	\$ 898

* Includes preacquisition loan from Alcan to finance special payment to algroup shareholders.

Determination of fair values was based on valuations performed by independent appraisers and consultants. Allocation of the purchase price in a major business combination necessarily involves a number of estimates as well as the gathering of information over a number of months following the date of the combination. This estimation process will be finalized in 2001. Accordingly, there may be some changes to the assigned values presented above.

Net restructuring costs for plant closures estimated at \$43, identified at the time of the combination, are recognized in the purchase price allocation. These charges are primarily for employee severance costs and are expected to be incurred over the next two years.

Notes to Consolidated Financial Statements (cont'd)

(in millions of US\$, except where indicated)

3 > Combination with Alusuisse Group Ltd (cont'd)

The difference between the total purchase price and the net fair value of all identifiable assets and liabilities acquired was \$2,620 and is accounted for as goodwill, which is being amortized over a period of 40 years using the straight-line method of amortization.

Consideration

Issuance of common shares (115,385,790 common shares without nominal or par value; average market value of \$30.11 per share)	\$ 3,474
Other consideration	44
Total consideration	\$ 3,518

Supplemental Pro Forma Information (in millions of US\$, except per share amounts)

The following unaudited pro forma information presents a summary of consolidated results of operations of the Company and algroup as if the combination had occurred on January 1, 1999. These pro forma results have been prepared for comparative purposes only.

	2000	1999
Sales and operating revenues	\$13,146	\$12,388
Net income before amortization of goodwill	\$ 737	\$ 655
Net income	\$ 672	\$ 590
Earnings per common share before amortization of goodwill	\$ 2.22	\$ 1.93
Earnings per common share	\$ 2.02	\$ 1.74

4 > Differences Between Canadian and United States Generally Accepted Accounting Principles (GAAP)

Currency Translation

Under Canadian GAAP, unrealized exchange gains and losses on translation of long-term monetary items are deferred and amortized over the life of those items, whereas, under U.S. GAAP, such gains and losses are absorbed in income immediately.

Investments

Under U.S. GAAP, certain portfolio investments which are considered to be "available-for-sale" securities are measured at market value, with the unrealized gains or losses included in Comprehensive income. Under Canadian GAAP, these investments are measured at cost.

Comprehensive Income

U.S. GAAP requires the disclosure of Comprehensive income which, for the Company, is Net income under U.S. GAAP plus the movement in Deferred translation adjustments under U.S. GAAP plus the unrealized gains or losses for the period less gains or losses realized during the period on "available-for-sale" securities. The concept of Comprehensive income does not exist under Canadian GAAP.

Joint Ventures

Under Canadian GAAP, joint ventures are accounted for using the proportionate consolidation method, while under U.S. GAAP, joint ventures are accounted for under the equity method. Under an accommodation of the U.S. Securities and Exchange Commission, accounting for joint ventures need not be reconciled from Canadian to U.S. GAAP. The different accounting treatment affects only the display and classification of financial statement items and not net income or shareholders' equity. See note 7 for summarized financial information about joint ventures.

Notes to Consolidated Financial Statements (cont'd)

(in millions of US\$, except where indicated)

4 Differences Between Canadian and United States Generally Accepted Accounting Principles (GAAP) (cont'd)

Consolidated Statement of Income

Under U.S. GAAP, separate subtotals for net income, and net income per common share, before amortization of goodwill would not be presented.

Statement of Cash Flows

Under U.S. GAAP, separate subtotals within operating, financing and investment activities would not be presented.

Reconciliation of Canadian and U.S. GAAP

	2000		1999		1998
	\$ per Common Share	\$	\$ per Common Share	\$	\$ per Common Share
Net income – as reported	618		460		399
Differences due to:					
Foreign currency translation	(8)		(9)		14*
Other	(4)		4		4
Net income – U.S. GAAP	606	2.40	455	2.04	417
Net income attributable to common shareholders – as reported	608	2.45	451	2.06	389
Net income attributable to common shareholders – U.S. GAAP	596	2.40	446	2.04	407

* \$13 relates to a difference in the realized exchange gain on the sale of shares in an equity investment.

	2000		1999		1998	
	As Reported	U.S. GAAP	As Reported	U.S. GAAP	As Reported	U.S. GAAP
Deferred charges and other assets						
– December 31	\$ 719	\$ 716	\$ 525	\$ 534	\$ 575	\$ 622
Deferred income taxes						
– December 31	\$ 1,227	\$ 1,231	\$ 781	\$ 781	\$ 747	\$ 747
Retained earnings						
– December 31	\$ 4,290	\$ 4,324	\$ 4,227	\$ 4,273	\$ 4,078	\$ 4,129
Deferred translation adjustments (DTA)						
– December 31	\$ (20)	\$ (76)	\$ (76)	\$ (132)	\$ 30	\$ (24)
Comprehensive income (U.S. GAAP only)						
Net income				\$ 606	\$ 455	\$ 417
Net change in deferred translation adjustments*				56	(108)	(27)
Net change in market value of available-for-sale securities*				(4)	(26)	45
Comprehensive income				\$ 658	\$ 321	\$ 435

* In 1999, \$8 of deferred translation adjustments and \$24 of the excess of market value over book value of available-for-sale securities were transferred to net income (\$41 and nil, respectively in 1998).

Notes to Consolidated Financial Statements (cont'd)

(in millions of US\$, except where indicated)

4 > Differences Between Canadian and United States Generally Accepted Accounting Principles (GAAP) (cont'd)

Reconciliation of Canadian and U.S. GAAP (cont'd)

	2000	1999	1998
Accumulated other comprehensive income (U.S. GAAP only)			
Accumulated other comprehensive income – beginning of year	\$ (113)	\$ 21	\$ 3
Change in deferred translation adjustments	56	(108)	(27)
Change in excess of market value over book value of available-for-sale securities	(4)	(26)	45
Accumulated other comprehensive income – end of year	\$ (61)	\$ (113)	\$ 21

The difference between DTA under Canadian GAAP and U.S. GAAP arises from the different treatment of exchange on long-term debt at January 1, 1983, resulting from the adoption of accounting standards on foreign currency translation.

5 > Reorganization Costs

In 2000, the Company announced the closure of the Rogerstone Foil operations in the U.K. by the end of June 2001 due to adverse market conditions. This closure will result in a reduction of approximately 220 employees. As a result, the Company has incurred \$25 for closure costs which are included in Other expenses. At December 31, 2000, there remains approximately \$12 of accrued liabilities.

Included in Other expenses in 2000 are other asset write-offs and restructuring costs totalling \$28. Restructuring costs relating to the merger with algroup are described in note 3.

In 1999, the Company undertook a reorganization which included the implementation of a number of early retirement and severance programs resulting in a reduction of approximately 570 employees in the Company's workforce. As a result of this reorganization and other restructuring programs, the Company incurred costs of \$49 in 1999 which were included in Other expenses. At December 31, 2000, there remains approximately \$15 of accrued liabilities.

6 > Income Taxes

	2000	1999	1998
Income before income taxes and other items			
Canada	\$ 428	\$ 174	\$ 175
Other countries	455	512	478
	\$ 883	\$ 686	\$ 653
Current income taxes			
Canada	\$ 19	\$ (78)	\$ 65
Other countries	183	179	116
	202	101	181
Deferred income taxes			
Canada	25	48	(22)
Other countries	27	62	51
	52	110	29
Income tax provision	\$ 254	\$ 211	\$ 210

Notes to Consolidated Financial Statements (cont'd)

(in millions of US\$, except where indicated)

6 ▶ Income Taxes (cont'd)

The composite of the applicable statutory corporate income tax rates in Canada is 40.2% (1999: 40.4%; 1998: 40.4%). The following is a reconciliation of income taxes calculated at the above composite statutory rates with the income tax provision:

	2000	1999	1998
Income taxes at the composite statutory rate	\$ 355	\$ 277	\$ 264
Differences attributable to:			
Exchange translation items	7	(12)	46
Exchange revaluation of deferred income taxes	(18)	26	(31)
Effect of tax rate changes on deferred income taxes	(20)	—	(4)
Unrecorded tax benefits on losses – net	(19)	(1)	(3)
Investment and other allowances	(38)	(29)	(21)
Large corporations tax	6	5	4
Withholding taxes	9	7	5
Reduced rate or tax exempt items	(12)	(31)	(47)
Foreign tax rate differences	7	(4)	(16)
Prior years' tax adjustments	(40)	(40)	3
Other – net	17	13	10
Income tax provision	\$ 254	\$ 211	\$ 210

At December 31, the principal items included in Deferred income taxes are:

	2000	1999	1998
Liabilities:			
Property, plant, equipment and intangibles	\$ 1,291	\$ 796	\$ 773
Undistributed earnings	34	29	28
Inventory valuation	80	47	49
Other – net	166	83	56
	1,571	955	906
Assets:			
Tax benefit carryovers	326	105	103
Accounting provisions not currently deductible for tax	220	173	167
	546	278	270
Valuation allowance (amount not likely to be recovered)	202	104	111
	344	174	159
Net deferred income tax liability	\$ 1,227	\$ 781	\$ 747

The valuation allowance relates principally to loss carryforward benefits and tax credits where realization is not likely due to uncertain economic conditions in certain countries, principally Brazil and South Korea, as well as time and other limitations in the tax legislation giving rise to the potential benefits. In 2000, \$4 (\$13 in 1999) of the valuation allowance was reversed when it became more likely than not that benefits would be realized due to higher than expected taxable income in the United States.

Based on rates of exchange at December 31, 2000, tax benefits of approximately \$127 relating to prior and current years' operating losses and \$32 of benefits related to capital losses and tax credits carried forward will be recognized in income when it is more likely than not that such benefits will be realized. These amounts are included in the valuation allowance above. Approximately \$20 of these potential tax benefits expire in 2001.

In 1997, income taxes on Canadian operations for the years 1988 to 1991 were reassessed by the Canadian tax authorities. Most of the additional taxes and interest related to transfer pricing issues and are recoverable in other countries. The process to obtain recoveries from other countries is under way. During 1999, the Canadian tax authorities indicated their intention not to proceed with the reassessments made in 1997 in respect of the years 1988 and 1989. As a result of these favourable prior year tax adjustments, in 1999 the Company received a total of \$108 from the Canadian tax authorities and the Company's 1999 income tax provision has been reduced by \$31, of which \$18 relates to interest. In 2000, certain provinces decided not to proceed with the reassessments pertaining to 1988 and 1989. As a result of this and other adjustments, the Company recorded \$32 of tax recoveries. See note 21.

Notes to Consolidated Financial Statements (cont'd)

(in millions of US\$, except where indicated)

7 > Joint Ventures

The activities of the Company's major joint ventures are the procurement and processing of bauxite in Australia, Brazil, Guinea and Jamaica, smelting operations in Norway, as well as aluminum rolling operations in Germany and the United States.

Alcan's proportionate interest in all joint ventures is included in the consolidated financial statements. Summarized financial information relating to Alcan's share of these joint ventures is provided below.

Because most of the activities of the Company's joint ventures results in the supplying of materials to other operations of the Company, third-party revenues, and related costs and expenses attributable to the Company's participation in these joint ventures is insignificant. Accordingly, summarized income statement information as well as cash flow from operating activities would not provide meaningful information.

	2000	1999	1998
Financial position at December 31			
Inventories	\$ 113	\$ 103	\$ 174
Property, plant and equipment – net	768	688	959
Other assets	103	90	101
Total assets	\$ 984	\$ 881	\$ 1,234
Short-term debt	\$ 28	\$ 27	\$ 19
Debt not maturing within one year	106	117	123
Other liabilities	208	150	167
Total liabilities	\$ 342	\$ 294	\$ 309
Cash flow information for the year ended December 31			
Cash from (used for) financing activities	\$ (17)	\$ 2	\$ (1)
Cash used for investment activities	\$ (57)	\$ (61)	\$ (85)

8 > Deferred Charges and Other Assets

Deferred charges and other assets comprise the following elements:

	2000	1999	1998
Prepaid pension costs	\$ 284	\$ 189	\$ 171
Income taxes recoverable	52	59	116
Marketable securities	44	53	38
Prepaid mining expenses	60	62	44
Investments	50	32	58
Costs related to combination (<i>note 3</i>)	—	20	—
Net assets held for disposal	70	—	—
Premiums on currency and metal options	1	10	39
Unamortized exchange losses	18	10	—
Amount receivable on currency swap of debt	16	6	25
Long-term notes and other receivables	60	30	21
Other	64	54	63
	\$ 719	\$ 525	\$ 575

Investments

	2000	1999	1998
Companies accounted for under the equity method	\$ 19	\$ 11	\$ 13
Portfolio investments – at cost, less amounts written off	31	21	45
	\$ 50	\$ 32	\$ 58

Notes to Consolidated Financial Statements (cont'd)

(in millions of US\$, except where indicated)

8 > Deferred Charges and Other Assets (cont'd)

Investments (cont'd)

As described in note 10, in 2000 the Company sold its interest in Indian Aluminium Company, Limited (Indal). In 1998 the Company had acquired a controlling interest in Indal, the accounts of which were consolidated with those of the Company until Indal was sold in 2000. Prior to 1998 Indal was treated as an equity investment. Also in 1998, Nippon Light Metal Company, Ltd. (NLM) ceased to be an equity investment and became a portfolio investment. See note 10.

For 1998, the combined results of operations, shown below, include information for NLM and Indal to the dates these entities ceased to be equity accounted investments.

In 1998, the Company recorded a special after-tax charge of \$27 included in Equity loss, reflecting the Company's share of construction contract losses and restructuring provisions in NLM.

	1998
Results of operations for the year ended December 31	
Revenues	\$ 3,626
Costs and expenses	3,719
Loss before income taxes	(93)
Income taxes	12
Net loss	\$ (105)
Alcan's share of Net loss	\$ (48)
Dividends received by Alcan	\$ 5

9 > Capital Assets

Property, Plant and Equipment

	2000	1999	1998
Cost (excluding Construction work in progress)			
Land and property rights	\$ 366	\$ 220	\$ 236
Buildings, machinery and equipment	14,441	11,551	11,522
	\$14,807	\$11,771	\$11,758

Accumulated depreciation relates primarily to Buildings, machinery and equipment.

In 1999, the Company completed the sale of a property in the United Kingdom for a gain of \$19 included in Other income. In early 1999, the Company sold the Aughinish alumina refinery. Negotiations for the sale began in late 1998 and, as a result of that process, the Company determined that the value of these assets was impaired as at December 31, 1998. In 1998, a charge of \$143 reflecting the impairment was included in Other expenses. Excluding the impairment charge, these assets contributed approximately \$27 of income before taxes in 1998.

On an ongoing basis, capital expenditures of the Company are estimated at \$750 per year. In addition, the Company expects to spend approximately \$300 in 2001 on the completion of the new smelter at Alma, Quebec.

Intangible Assets

	2000	1999	1998
Cost	\$ 335	\$ —	\$ —
Accumulated amortization	5	—	—
	\$ 330	\$ —	\$ —

Intangible assets are primarily trademarks and patented and non-patented technology.

Goodwill

	2000	1999	1998
Cost	\$ 2,686	\$ —	\$ —
Accumulated amortization	17	—	—
	\$ 2,669	\$ —	\$ —

Notes to Consolidated Financial Statements (cont'd)

(in millions of US\$, except where indicated)

10 > Sales and Acquisitions of Businesses and Investments

Japan

In 1999, the Company sold a portion of its investment in Nippon Light Metal Company, Ltd. (NLM), reducing its holdings to 5.1%, for net cash proceeds of \$38. Included in Other income is a gain of \$37 (\$37 after tax). The after-tax gain includes a previously deferred gain of \$17 related to the sale in 1996 of Toyo Aluminium K.K. (Toyal) to NLM.

In 1998, the Company reduced its 45.6% investment in NLM to 11.2%. The net cash proceeds from the sale of shares were approximately \$193 with a corresponding gain, included in Other income, of approximately \$146 (\$140 after tax), including a previously deferred gain of \$87 after tax related to the sale in 1996 of Toyal to NLM.

India

In 2000, the Company sold its 54.6% interest in Indian Aluminium Company, Limited (Indal) to Hindalco Industries Limited (Hindalco). Net proceeds from the sale were \$162 resulting in a gain of \$3, included in Other income.

Europe

In 1999, the Company completed the sale of the Aughinish alumina refinery in Ireland. The net book value of the assets sold had been written down to net realizable value in 1998 in anticipation of completion of the sale in 1999. The write-down in 1998 of \$143 was included in Other expenses. In 1999, the Company completed the sale of businesses in Germany and France for gains of \$44 and \$8, respectively, included in Other income.

South Korea

In 2000, the Company's subsidiary, Alcan Taihan Aluminum Limited (ATA), acquired a 95% interest in Aluminium of Korea Limited for \$200 in cash and the assumption of \$114 of debt. As a result of the transaction, the Company owns 68% of ATA.

Included in the Company's balance sheet at the date of acquisition were the following assets and liabilities:

Working capital	\$ (2)
Property, plant and equipment	347
Other assets – net	(4)
	341
Long-term debt	77
Minority interest	64
Net assets	\$ 200

In 1999, the Company purchased a 56% interest in ATA, a newly created company based in South Korea. Total cash consideration paid by the Company for its equity interest was \$129. In addition, the Company assumed total debt of \$58.

Included in the Company's balance sheet at the date of acquisition were the following assets and liabilities:

Working capital	\$ (19)
Property, plant and equipment	237
Other assets – net	1
	219
Long-term debt	2
Minority interest	88
Net assets	\$ 129

11 > Deferred Credits and Other Liabilities

Deferred credits and other liabilities comprise the following elements:

	2000	1999	1998
Deferred revenues	\$ 37	\$ 43	\$ 56
Post-retirement and post-employment benefits	539	378	395
Environmental liabilities	91	44	40
Rationalization costs	23	36	23
Claims	43	39	43
Amount payable for metal and currency forward contracts	41	—	—
Other	100	23	47
	\$ 874	\$ 563	\$ 604

Notes to Consolidated Financial Statements (cont'd)

(in millions of US\$, except where indicated)

12 ▶ Debt Not Maturing Within One Year

	2000	1999	1998
Alcan Inc. (formerly Alcan Aluminium Limited)			
Commercial paper – CAN\$ (a)	\$ 897	\$ —	\$ —
Commercial paper – US\$ (a)	578	—	—
Long-term credit facilities (a)	250	—	—
Deutschmark bank loans, due 2001/2005 (DM298 million) (b)	142	175	218
5.875% Debentures	—	150	150
5.375% Swiss franc bonds, due 2003 (c)	109	111	130
CARIFA loan, due 2006 (d)	60	60	60
6.25% Debentures, due 2008	200	200	200
9.5% Debentures (e)	—	100	100
9.625% Sinking fund debentures, due 2019 (e)	—	18	150
8.875% Debentures, due 2022 (f)	150	150	150
7.25% Debentures, due 2028	100	100	100
Other debt, due 2001	7	7	7
Alcan Aluminum Corporation			
7.25% Debentures	—	—	100
Other debt, due 2001/2004	1	2	2
Alcan Deutschland GmbH and subsidiary companies			
5.65% Bank loans, due 2001 (DM15 million)	7	8	9
5.06% Bank loans, due 2004 (DM25 million)	12	—	—
Bank loans, due 2008/2013 (DM16 million) (b)	8	8	64
Queensland Alumina Limited			
Bank loans, due 2001/2003 (b)	77	70	78
Other debt	—	9	—
Alusuisse Group AG			
6.75% Swiss franc bond, due 2001 (CHF150 million)	92	—	—
4.5% Bank loan, due 2002 (CHF100 million)	61	—	—
Alusuisse Finance Ltd.			
Euro Medium Term Note Program (EMTN)			
EMTN, due 2002 (Euro400 million) (g)	372	—	—
EMTN, due 2008 (DM25 million) (g)	12	—	—
EMTN, due 2008 (DM16 million) (g)	8	—	—
ALA (Nevada) Inc.			
7.1% Bank loan, due 2001	60	—	—
0.5% EMTN, due 2001	33	—	—
Alusuisse Canada Inc.			
5.69% Bank loan, due 2003	35	—	—
6.24% Bank loan, due 2004	30	—	—
Swiss Aluminium Australia Ltd.			
Bank loans, due 2001 (AUD111 million) (b)	62	—	—
Other			
Bank loans, due 2001/2011 (b)	86	117	140
4% Eurodollar, due 2003 (h)	14	14	14
Other debt, due 2001/2011	65	23	31
Debt maturing within one year included in current liabilities	3,528	1,322	1,703
	(333)	(311)	(166)
	\$ 3,195	\$ 1,011	\$ 1,537

Notes to Consolidated Financial Statements (cont'd)

(in millions of US\$, except where indicated)

12 > Debt Not Maturing Within One Year (cont'd)

- (a) The Company has two long-term global, multi-year and multi-currency facilities with a syndicate of major international banks amounting to \$1,000 and \$1,750. The facilities expire in tranches at various dates in 2001, 2005 and 2006.

At December 31, 2000, \$250 had been borrowed under these facilities at market rates. These facilities are also available as back-up for commercial paper issued by the Company in Canada and the U.S. at market rates.

At December 31, 2000, the entire amount of commercial paper borrowings as well as the \$250 borrowed under the above facilities has been classified as debt not maturing within one year since the Company has both the intent and ability, through its long-term credit facilities, to refinance the borrowings on a long-term basis.

Commercial paper borrowings of principal amount \$518 with a rate tied to U.S. LIBOR have been swapped for CHF920 million with a rate tied to CHF LIBOR for the period to February 2001. Commercial paper borrowings of principal amount CAN\$1,368 million have been swapped for \$894 through the use of forward exchange contracts.

- (b) Interest rates fluctuate principally with the lender's prime commercial rate, the commercial bank bill rate, or are tied to LIBOR rates.
- (c) The Swiss franc bonds were issued as CHF178 million and were swapped for \$105 at an effective interest rate of 8.98%.
- (d) The Caribbean Basin Projects Financing Authority (CARIFA) loan bears interest at a rate related to U.S. LIBOR.
- (e) In 2000, \$18 (\$132 in 1999) of the 9.625% debentures were redeemed at face value (104.64% in 1999). The 1999 loss on redemption of \$6 was included in Other expenses. The 9.5% debentures were redeemed in January 2000 at a price of 104.64%. The loss on redemption of \$3 was included in Other expenses in 2000.
- (f) The Company has the right to redeem the debentures during the years 2002 to 2012 at amounts declining from 104% to 100% of the principal amount.
- (g) The EMTN notes of principal amounts of Euro400 million, DM25 million and DM16 million with rates tied to EURIBOR or LIBOR have been swapped for CHF608 million, £9 million and £5 million, respectively.
- (h) Debenture holders are entitled to receive at their option 1,772 common shares held by the Company in NLM, a portfolio investment, in exchange for each ten thousand dollar principal amount of debentures. The Company can redeem the debentures at 100% of the principal.

The Company has swapped, to 2001 and 2002, the interest payments on \$79 and \$61, respectively, of its floating rate debt in exchange for fixed interest payments.

Based on rates of exchange at year-end, debt repayment requirements over the next five years amount to \$333 in 2001, \$524 in 2002, \$241 in 2003, \$88 in 2004 and \$24 in 2005.

Notes to Consolidated Financial Statements (cont'd)

(in millions of US\$, except where indicated)

13 › Preference Shares

Authorized

An unlimited number of preference shares issuable in series. All shares are without nominal or par value.

Authorized and Outstanding

In each of the years 2000, 1999 and 1998, there were authorized and outstanding 5,700,000 series C and 3,000,000 series E redeemable non-retractable preference shares with stated values of \$106 and \$54, respectively.

The 1,700,000 series D redeemable non-retractable preference shares with stated value of \$43, authorized and outstanding throughout 1997, were redeemed in June 1998.

Preference shares, series C and E are eligible for quarterly dividends based on an amount related to the average of the Canadian prime interest rates quoted by two major Canadian banks for stated periods.

Preference shares, series C and E may be called for redemption at the option of the Company on 30 days' notice at CAN\$25.00 per share.

Any partial redemption of preference shares must be made on a pro rata basis or by lot.

14 › Common Shares

The authorized common share capital is an unlimited number of common shares without nominal or par value. Changes in outstanding common shares are summarized below:

	Number (in thousands)			Stated Value		
	2000	1999	1998	2000	1999	1998
Outstanding – beginning of year	218,315	226,003	227,344	\$ 1,230	\$ 1,251	\$ 1,251
Issued for cash:						
Executive share option plan	521	886	135	—	13	19
Dividend reinvestment and share purchase plans	237	271	254	—	8	8
Issued in exchange for tendered algroup shares	115,446*	—	—	—	3,476	—
Purchased for cancellation	(16,598)	(8,845)	(1,730)**	(130)	(48)	(9)
Outstanding – end of year	317,921	218,315	226,003	\$ 4,597	\$ 1,230	\$ 1,251

* 115,386 shares were tendered in response to the Company's share exchange offer; 60 shares were tendered after the Company's share exchange offer.

** 1,645 were cancelled in 1998 and 85 in 1999.

Under the executive share option plan, certain employees may purchase common shares at market value on the effective date of the grant of each option. The vesting period for options granted beginning in 1998 is linked to Alcan's share price performance, but does not exceed nine years. Options granted before 1998 vest generally over a fixed period of four years from the grant date and expire at various dates during the next 10 years. Changes in the number of shares under option as well as average exercise price are summarized below:

	Average exercise price (CAN\$)			Number (in thousands)		
	2000	1999	1998	2000	1999	1998
Outstanding – beginning of year	\$40.91	\$38.16	\$38.64	5,472	5,156	4,193
Granted	\$46.52	\$45.41	\$34.91	2,422	1,315	1,122
Exercised	\$35.75	\$32.76	\$26.96	(521)	(886)	(135)
Cancelled	\$31.37	\$31.80	\$33.23	(47)	(113)	(24)
Outstanding – end of year	\$43.20	\$40.91	\$38.16	7,326	5,472	5,156

Notes to Consolidated Financial Statements (cont'd)

(in millions of US\$, except where indicated)

14 › Common Shares (cont'd)

Range of Exercise Prices for Options Outstanding at December 31, 2000

Range of Exercise Prices (CAN\$)	Number of Options (in thousands)
\$21.94 – \$34.00	290
\$34.01 – \$40.00	1,200
\$40.01 – \$46.00	2,357
\$46.01 – \$48.98	3,479
	7,326

At December 31, 2000, approximately 4,913,000 of outstanding options with an average exercise price of CAN\$41.56 were vested.

During 1998, the Company also granted 774,700 options, which grants become effective, subject to certain restrictions, upon the exercise of options previously granted.

Upon consummation of the combination with Alusuisse Group Ltd, described in note 3, all options granted under the Company's executive share option plan prior to the consummation were vested.

At December 31, 2000, the Company had reserved for issue under the executive share option plan 17,858,854 shares.

The Company does not recognize compensation expense for options granted under the executive share option plan. If the Company had elected to recognize compensation expense for these options in accordance with the methodology prescribed by Statement No. 123 of the U.S. Financial Accounting Standards Board (FASB), net income would have been lower by \$29, or \$0.12 per share (\$13, or \$0.06 per share, in 1999 and \$9, or \$0.04 per share, in 1998).

The FASB provides the choice of either recognizing the compensation expense in the financial statements or disclosing it in the notes to the financial statements. To compute the notional compensation expense, the Black-Scholes valuation model was used to determine the fair value of the options granted. Using the model, the fair value of options averages approximately 31% to 35% of the exercise price.

In June 2000, the Company obtained authorization to repurchase, within a 12 month period, up to 21,800,000 common shares under a normal course issuer bid. During 2000, 16,598,100 common shares were purchased and cancelled at a cost of \$530.

In 1999, 8,845,000 common shares for an amount of \$219 were purchased and cancelled under a previous authorization (1998: 1,730,000 common shares for an amount of \$46).

Shareholder Rights Plan

In 1990, shareholders approved a plan whereby each common share of the Company carries one right to purchase additional common shares. The plan, with certain amendments, was reconfirmed at the 1995 Annual Meeting and further amendments were approved at the 1999 Annual Meeting. The rights under the plan are not currently exercisable but may become so upon the acquisition by a person or group of affiliated or associated persons ("Acquiring Person") of beneficial ownership of 20% or more of the Company's outstanding voting shares or upon the commencement of a takeover bid. Holders of rights, with the exception of an Acquiring Person, in such circumstances will be entitled to purchase from the Company, upon payment of the exercise price (currently \$100.00), such number of additional common shares as can be purchased for twice the exercise price based on the market value of the Company's common shares at the time the rights become exercisable.

The plan has a permitted bid feature which allows a takeover bid to proceed without the rights under the plan becoming exercisable, provided that it meets certain minimum specified standards of fairness and disclosure, even if the Board does not support the bid.

The plan expires in 2008, subject to reconfirmation at the Annual Meeting of Shareholders in 2002 and 2005 but may be redeemed earlier by the Board, with the prior consent of the holders of rights or common shares, for \$0.01 per right. In addition, should a person or group of persons acquire outstanding voting shares pursuant to a permitted bid or a share acquisition in respect of which the Board has waived the application of the plan, the Board shall be deemed to have elected to redeem the rights at \$0.01 per right.

Notes to Consolidated Financial Statements (cont'd)

(in millions of US\$, except where indicated)

15 > Retained Earnings

Consolidated retained earnings at December 31, 2000, include \$3,118 of undistributed earnings of subsidiaries and joint ventures, some part of which may be subject to certain taxes and other restrictions on distribution to the parent company; no provision is made for such taxes because these earnings are reinvested in the businesses.

16 > Currency Gains and Losses

The following are the amounts recognized in the financial statements:

	2000	1999	1998
Currency gains (losses) excluding realized deferred translation adjustments:		1	
Forward exchange contracts and currency options	\$ 34	\$ (23)	\$ (58)
Other	(2)	(15)	4
	\$ 32	\$ (38)	\$ (54)
Deferred translation adjustments – beginning of year	\$ (76)	\$ 30	\$ 43
Effect of exchange rate changes	9	(100)	28
Losses (Gains) realized*	47	(6)	(41)
Balance – end of year	\$ (20)	\$ (76)	\$ 30

* The loss realized in 2000 relates principally to the sale of the Company's investment in Indian Aluminium Company, Limited.

The gains realized in 1999 and 1998 relate principally to the sale of a portion of the Company's investment in Nippon Light Metal Company, Ltd.

In 2000, \$26 (\$25 in 1999 and \$5 in 1998) of exchange losses, related to hedging of Canadian dollar construction costs of the new smelter at Alma, Quebec, are included in Construction work in progress.

17 > Financial Instruments and Commodity Contracts

In conducting its business, the Company uses various instruments, including forward contracts and options, to manage the risks arising from fluctuations in exchange rates, interest rates and aluminum prices. All such instruments are used for risk management purposes only.

Financial Instruments – Currency

In order to hedge certain identifiable foreign currency revenue and operating cost exposures as well as certain capital commitments, the Company enters into forward exchange and option contracts.

At December 31, 2000, the contract amount of forward exchange contracts outstanding used to hedge future firm net operating cash flows was \$2,248 (\$507 in 1999 and \$473 in 1998) while the contract amount of purchased options outstanding used to hedge future firm operating cost commitments was \$58 (\$199 in 1999 and \$1,499 in 1998). At December 31, 2000, the contract amount of forward exchange contracts outstanding used to hedge future commitments (mainly Canadian dollar) principally for the construction of a new smelter at Alma, Quebec, was \$212 (\$490 in 1999 and \$281 in 1998) while the contract amount of purchased options outstanding used to hedge the Canadian dollar commitments for the new smelter was nil (\$55 in 1999 and \$315 in 1998).

The market value of outstanding forward exchange contracts related to hedges of operating costs or revenues at December 31, 2000 was such that if these contracts had been closed out, the Company would have received \$14 (received \$29 in 1999 and paid \$18 in 1998). Based on prevailing market prices, if the currency option contracts related to operating cost commitments had been closed out on December 31, 2000, the Company would have paid \$2 (received \$4 in 1999 and paid \$33 in 1998). The market value at December 31, 2000 of outstanding forward exchange contracts related to hedges of cost commitments principally for the new smelter at Alma, Quebec, was such that if these contracts had been closed out, the Company would have received nil (received \$8 in 1999 and paid \$8 in 1998). Based on prevailing market prices, if the currency option contracts relating to smelter construction cost commitments had been closed out at December 31, 2000, the Company would have received nil (received \$1 in 1999 and paid \$2 in 1998). Unrealized gains and losses on outstanding forward contracts and options are not recorded in the financial statements until maturity of the underlying transactions.

Notes to Consolidated Financial Statements (cont'd)

(in millions of US\$, except where indicated)

17 > Financial Instruments and Commodity Contracts (cont'd)

Financial Instruments - Currency (cont'd)

In addition, certain intercompany foreign currency denominated loans are hedged through the use of forward exchange contracts. At December 31, 2000, the contract amount of such forward contracts was \$193 (\$204 in 1999 and \$212 in 1998) and the market value was such that if these contracts had been closed out, the Company would have paid \$3 (received nil in 1999 and \$4 in 1998).

Included in Deferred charges and other assets and Receivables is an amount of \$1 (\$42 in 1999 and \$71 in 1998) consisting of net losses on terminated forward exchange contracts and options, as well as the net cost of outstanding options, used to hedge future costs, including costs related to the construction of the new smelter at Alma. These deferred charges are included in the cost of the items being hedged at the same time as the underlying transactions being hedged are recognized.

Financial Instruments - Debt Not Maturing Within One Year

As indicated in note 12, certain of the Company's foreign currency denominated debts have been swapped.

Commercial paper borrowings of principal amount of \$518 with a rate tied to U.S. LIBOR have been swapped for CHF920 million with a rate tied to CHF LIBOR for the period to February 2001. If the swap had been closed out at December 31, 2000, the Company would have paid \$48. This amount is recognized in the balance sheet and, because the swap is hedging an intercompany CHF loan, has no net income impact.

Commercial paper borrowings of principal amount of CAN\$1,368 million have been swapped for \$894 through the use of forward exchange contracts. If the contracts had been closed out at December 31, 2000, the Company would have received \$17, of which an amount of \$12 related to the swap of the principal has been recorded in Deferred charges and other assets.

The 5.375% Swiss franc bonds of principal amount of CHF178 million have been swapped for \$105 at an effective interest rate of 8.98%. If the swap had been closed out at December 31, 2000, the Company would have received a net amount of \$4 (\$6 in 1999 and \$24 in 1998) of which an amount of \$4 related to the swap of the principal (\$6 in 1999 and \$25 in 1998) has been recorded in Deferred charges and other assets.

The Euro Medium Term Note Program notes of principal amounts of Euro400 million, DM25 million and DM16 million, with rates tied to EURIBOR or LIBOR, have been swapped for CHF608 million, £9 million and £5 million, respectively. If the swaps had been closed out at December 31, 2000, the Company would have received \$1.

Financial Instruments - Interest Rates

The Company sometimes enters into interest rate swaps to manage funding costs as well as the volatility of interest rates. Amounts receivable or payable related to swaps are recorded in Interest concurrently with the interest expense on the underlying debt.

Changes in the fair value of the interest rate swaps are not recognized on a mark to market basis since these relate specifically to interest costs on identifiable debt.

If all interest rate swap agreements had been closed out on December 31, 2000, the Company would have received \$2. There were no significant interest rate swap agreements outstanding at December 31, 1999 and 1998.

Commodity Contracts - Metal

Depending on supply and market conditions, as well as for logistical reasons, the Company may sell primary metal to third parties and may purchase primary and secondary aluminum on the open market to meet its fabricated products requirements. In addition, the Company may hedge certain commitments arising from pricing arrangements with some of its customers.

Through the use of forward purchase and sales contracts and options, the Company seeks to limit the negative impact of low metal prices whilst retaining most of the benefit from higher metal prices.

Notes to Consolidated Financial Statements (cont'd)

(in millions of US\$, except where indicated)

17 ▶ Financial Instruments and Commodity Contracts (cont'd)

Commodity Contracts - Metal (cont'd)

At December 31, 2000, the Company had outstanding forward contracts (principally forward purchase contracts) covering 410,650 tonnes (326,800 tonnes at December 31, 1999 and 465,600 tonnes at December 31, 1998), maturing at various dates principally in 2001, 2002 and 2003 (2000, 2001 and 2002 at December 31, 1999 and 1999, 2000 and 2001 at December 31, 1998). In addition, the Company held call options outstanding for 175,650 tonnes (135,500 tonnes at December 31, 1999 and 346,000 tonnes at December 31, 1998) maturing at various dates in 2001 and 2002 (2000 and 2001 at December 31, 1999 and 1999 and 2000 at December 31, 1998).

At December 31, 2000, the Company had put options outstanding for 151,000 tonnes, maturing in 2001, 2002 and 2003 (27,300 tonnes maturing in 2000 and 2001 at December 31, 1999 and 20,000 tonnes maturing in 1999 at December 31, 1998).

Included in Receivables or Deferred charges and other assets is \$23 (\$7 in 1999 and \$22 in 1998) representing the net cost of outstanding options.

The option premiums paid and received, together with the realized gains or losses on the contracts, are included in Sales and operating revenues or Cost of sales and operating expenses, as applicable, concurrently with recognition of the underlying items being hedged.

Based on metal prices prevailing on December 31, 2000, if all commodity forward purchase and sale contracts and options had been closed out, the Company would have received \$10 (received \$64 in 1999 and paid \$39 in 1998).

Oil Derivatives

As a hedge of future oil purchases, as at December 31, 2000, the Company had outstanding approximately 18.1 million barrels of oil futures, maturing at various times in the years 2001 to 2006. Based on oil prices prevailing on December 31, 2000, if all these futures had been closed out, the Company would have paid \$7.

Counterparty Risk

As exchange rates, interest rates and metal prices fluctuate, the above contracts will generate gains and losses that will be offset by changes in the value of the underlying items being hedged. The Company may be exposed to losses in the future if the counterparties to the above contracts fail to perform. However, the Company is satisfied that the risk of such non-performance is remote, due to its controls on credit exposures.

Financial Instruments - Market Value

On December 31, 2000, the fair value of the Company's long-term debt totalling \$3,528 (\$1,322 in 1999 and \$1,703 in 1998) was \$3,516 (\$1,323 in 1999 and \$1,762 in 1998), based on market prices for the Company's fixed rate securities and the book value of variable rate debt.

At December 31, 2000, the quoted market value of the Company's portfolio investments having a book value of \$31 (\$21 in 1999 and \$45 in 1998) was \$46 (\$39 in 1999 and \$90 in 1998).

At December 31, 2000, the market value of the Company's preference shares having a book value of \$160 (\$160 in 1999 and 1998) was \$139 (\$139 in 1999 and \$140 in 1998).

The market values of all other financial assets and liabilities are approximately equal to their carrying values.

Notes to Consolidated Financial Statements (cont'd)

(in millions of US\$, except where indicated)

18 > Commitments and Contingencies

The Company has guaranteed the repayment of approximately \$17 of indebtedness by third parties. Alcan believes that none of these guarantees is likely to be invoked. Commitments with third parties and certain related companies for supplies of goods and services are estimated at \$252 in 2001, \$106 in 2002, \$89 in 2003, \$74 in 2004, \$59 in 2005, and \$446 thereafter. Total commitments to these entities, excluding \$749 in relation to the smelter at Alma, were \$106 in 2000, \$18 in 1999 and \$23 in 1998.

Minimum rental obligations are estimated at \$44 in 2001, \$36 in 2002, \$26 in 2003, \$20 in 2004, \$17 in 2005 and \$80 thereafter. Total rental expenses amounted to \$58 in 2000, \$57 in 1999 and \$83 in 1998.

Alcan, in the course of its operations, is subject to environmental and other claims, lawsuits and contingencies. The Company has environmental contingencies relating to approximately 33 existing and former Alcan sites and third-party sites. Accruals have been made in specific instances where it is probable that liabilities will be incurred and where such liabilities can be reasonably estimated. Although it is possible that liabilities may arise in other instances for which no accruals have been made, the Company does not believe that such an outcome will significantly impair its operations or have a material adverse effect on its financial position.

In addition, see reference to combination agreement in note 3, income taxes in note 6, capital expenditures in note 9, debt repayments in note 12, financial instruments and commodity contracts in note 17, and subsequent event – acquisition of 30% of Gove alumina refinery in note 24.

19 > Supplementary Information

	2000	1999	1998
Income statement			
Interest on long-term debt	\$ 123	\$ 104	\$ 93
Capitalized interest	\$ (81)	\$ (41)	\$ (15)
Balance sheet			
Payables			
Accrued employment costs	\$ 288	\$ 205	\$ 196
Short-term borrowings	\$ 1,080	\$ 167	\$ 86
At December 31, 2000, the weighted average interest rate on short-term borrowings was 6.5% (6.7% in 1999 and 4.7% in 1998).			
Statement of cash flows			
Interest paid	\$ 161	\$ 128	\$ 96
Income taxes paid	\$ 203	\$ 96	\$ 298

Notes to Consolidated Financial Statements (cont'd)

(in millions of US\$, except where indicated)

20 > Post-retirement Benefits

Alcan and its subsidiaries have established pension plans in the principal countries where they operate, generally open to all employees. Most plans provide pension benefits that are based on the employee's highest average eligible compensation before retirement. Pension payments are periodically adjusted for cost of living increases, either by Company practice, collective agreement or statutory requirement. Plan assets consist primarily of listed stocks and bonds.

Alcan's funding policy is to contribute the amount required to provide for benefits attributed to service to date, with projection of salaries to retirement, and to amortize unfunded actuarial liabilities for the most part over periods of 15 years or less, generally corresponding to the expected average remaining service life of the employees. All actuarial gains and losses are amortized over the expected average remaining service life of the employees.

The Company provides life insurance benefits under some of its retirement plans. Certain early retirement arrangements also provide for medical benefits, generally only until the age of 65. These plans are generally not funded.

	Pension Benefits			Other Benefits		
	2000	1999	1998	2000	1999	1998
Change in benefit obligation						
Benefit obligation at January 1	\$ 4,047	\$ 3,827	\$ 3,550	\$ 186	\$ 176	\$ 172
Service cost	83	99	84	5	4	4
Interest cost	255	241	236	12	11	11
Members' contributions	21	21	20	—	—	—
Benefits paid	(217)	(209)	(200)	(10)	(10)	(9)
Amendments	435	66	80	(1)	3	—
Acquisitions/divestitures	2,047	(5)	(1)	27	—	—
Actuarial (gain) loss	(263)	59	45	(18)	2	(2)
Currency (gains) losses	(91)	(52)	13	—	—	—
Benefit obligation at December 31	\$ 6,317	\$ 4,047	\$ 3,827	\$ 201	\$ 186	\$ 176
Change in market value of plan assets (Assets)						
Assets at January 1	\$ 4,917	\$ 4,298	\$ 4,231	\$ —	\$ —	\$ —
Actual return on assets	250	800	204	—	—	—
Members' contributions	21	21	20	—	—	—
Benefits paid	(217)	(209)	(200)	—	—	—
Company contributions	44	44	36	—	—	—
Acquisitions/divestitures	2,087	—	—	5	—	—
Currency gains (losses)	(88)	(37)	7	—	—	—
Assets at December 31	\$ 7,014	\$ 4,917	\$ 4,298	\$ 5	\$ —	\$ —
Assets in excess of benefit obligation	\$ 697	\$ 870	\$ 471	\$ (196)	\$ (186)	\$ (176)
Unamortized						
– actuarial (gains) losses	(1,311)	(1,115)	(763)	(39)	(17)	(22)
– prior service cost	590	246	263	1	2	(5)
Net asset (liability) in balance sheet	\$ (24)	\$ 1	\$ (29)	\$ (234)	\$ (201)	\$ (203)

Notes to Consolidated Financial Statements (cont'd)

(in millions of US\$, except where indicated)

20 › Post-retirement Benefits (cont'd)

The accumulated benefit obligation (ABO) of pension plans is \$5,867 (\$3,661 in 1999 and \$3,414 in 1998). For certain plans, the ABO exceeds the market value of the assets. For these plans, the ABO is \$588 (\$158 in 1999 and \$1,239 in 1998) while the market value of the assets is \$308 (\$28 in 1999 and \$1,041 in 1998).

	Pension Benefits			Other Benefits		
	2000	1999	1998	2000	1999	1998
Components of net periodic (benefit) cost						
Service cost	\$ 83	\$ 99	\$ 84	\$ 5	\$ 4	\$ 4
Interest cost	255	241	236	12	11	11
Expected return on assets	(345)	(301)	(293)	—	—	—
Amortization						
– actuarial gains	(102)	(86)	(95)	(2)	(3)	(2)
– prior service cost	89	76	94	—	(4)	(4)
Net periodic (benefit) cost	\$ (20)	\$ 29	\$ 26	\$ 15	\$ 8	\$ 9
Weighted average assumptions at December 31						
Discount rate	6.3%	6.5%	6.3%	7.3%	6.9%	6.4%
Average compensation growth	3.7%	4.3%	4.3%	4.5%	5.0%	4.5%
Expected return on assets	7.0%	7.3%	7.2%	n/a	n/a	n/a

The assumed health care cost trend rate used for measurement purposes is 6.6% from 2001 through 2005, decreasing to 5.4% in 2006 and remaining at that level thereafter. A one percentage point change in assumed health care cost trend rates would have the following effects:

	Other Benefits	
	1% Increase	1% Decrease
Sensitivity Analysis		
Effect on service and interest costs	1	(1)
Effect on benefit obligation	9	(8)

Notes to Consolidated Financial Statements (cont'd)

(in millions of US\$, except where indicated)

21 ▶ Information by Geographic Areas

	Location	2000	1999	1998
Sales and operating revenues - third parties (by destination)	Canada	\$ 625	\$ 620	\$ 580
	United States	3,665	3,067	3,073
	Brazil	465	371	473
	United Kingdom	600	450	548
	Germany	756	641	769
	Switzerland	65	25	25
	Other Europe	1,475	1,224	1,531
	Australia	131	60	67
	Asia and Other Pacific	1,228	817	681
	All other	138	49	42
	Total	\$ 9,148	\$ 7,324	\$ 7,789
Sales and operating revenues - intercompany (by origin)	Canada	\$ 2,042	\$ 1,852	\$ 1,980
	United States	563	528	504
	Brazil	44	56	37
	United Kingdom	373	327	294
	Germany	181	147	143
	Switzerland	237	75	78
	Other Europe	72	34	223
	Australia	114	72	70
	Asia and Other Pacific	9	—	—
	All other	401	260	358
	Subtotal	4,036	3,351	3,687
	Consolidation eliminations	(4,036)	(3,351)	(3,687)
	Total	\$ —	\$ —	\$ —
Sales to subsidiary companies are made at fair market prices recognizing volume, continuity of supply and other factors.				
Sales and operating revenues - third parties (by origin)	Canada	\$ 915	\$ 941	\$ 1,004
	United States	3,713	3,119	3,229
	Brazil	443	334	369
	United Kingdom	565	445	515
	Germany	1,401	1,196	1,379
	Switzerland	414	50	56
	Other Europe	589	470	721
	Australia	137	60	67
	Asia and Other Pacific	852	611	424
	All other	119	98	25
	Total	\$ 9,148	\$ 7,324	\$ 7,789

Notes to Consolidated Financial Statements (cont'd)

(in millions of US\$, except where indicated)

21. Information by Geographic Areas (cont'd)

	Location	2000	1999	1998
Net income*	Canada	\$ 295	\$ 111	\$ 133
	United States	155	178	144
	Brazil	34	5	13
	United Kingdom	10	18	2
	Germany	43	30	7
	Switzerland	1	3	—
	Other Europe	17	13	(98)**
	Australia	59	36	25
	Asia and Other Pacific	(22)	46	92***
	All other	56	33	39
	Consolidation eliminations	(30)	(13)	42
	Total	\$ 618	\$ 460	\$ 399
Capital assets – net at December 31	Canada	\$ 4,002	\$ 3,050	\$ 2,376
	United States	1,579	681	714
	Brazil	736	743	710
	United Kingdom	1,047	444	462
	Germany	1,322	499	650
	Switzerland	752	34	47
	Other Europe	1,006	113	302
	Australia	551	71	70
	Asia and Other Pacific	1,026	504	269
	All other	1,011	295	297
	Total	\$ 13,032	\$ 6,434	\$ 5,897
Capital expenditures and investments	Canada	\$ 1,097	\$ 845	\$ 326
	United States	113	63	62
	Brazil	42	86	188
	United Kingdom	49	41	85
	Germany	55	49	44
	Switzerland	18	2	4
	Other Europe	68	19	31
	Australia	12	4	4
	Asia and Other Pacific	239	154	80
	All other	42	35	53
	Total	\$ 1,735	\$ 1,298	\$ 877
Average number of employees (in thousands)	Canada	11	11	11
	United States	5	4	4
	Brazil	3	3	3
	United Kingdom	3	3	3
	Germany	4	4	5
	Switzerland	1	—	—
	Other Europe	2	2	3
	Australia	—	—	—
	Asia and Other Pacific	5	8	5
	All other	3	3	2
	Total	37	38	36

* If presented to reflect the effect of prior years' income tax reassessments described in note 6, in addition to the net benefit of \$31 recorded in Canada in 1999, net income in Canada in 1999 would be increased by a further \$68 and decreased by \$52 in the United States, \$8 in the United Kingdom and \$8 in Germany. In 2000, net income in Canada would be increased by a further \$25 and decreased by \$14 in the United States, \$5 in the United Kingdom and \$6 in Germany.

** Includes write-down of \$120 after tax related to the Aughinish alumina refinery.

*** Includes gain of \$140 after tax related to the sale of a portion of the Company's investment in Nippon Light Metal Company, Ltd.

Notes to Consolidated Financial Statements (cont'd)

(in millions of US\$, except where indicated)

22 Information by Operating Segment

The following presents selected information by operating segment, viewed on a stand-alone basis. In 2000, as a result of the combination of the Company and algroup (see note 3), the operating segments were reorganized to create four operating segments, Primary Metal; Aluminum Fabrication, Americas and Asia; Aluminum Fabrication, Europe; and Packaging. Comparative information has been restated to conform to the 2000 organizational structure. Transactions between operating segments are conducted on an arm's-length basis and reflect market prices. Thus, earnings from the Primary Metal group is mainly profit on metal produced by the Company, whether sold to third parties or used in the Company's Fabrication and Packaging groups. Earnings from the Fabrication and Packaging groups represents only the fabricating profit on rolled and packaging products and downstream businesses. The accounting principles used to prepare the information by operating segment are the same as those used to prepare the consolidated financial statements of the Company except that the pension costs for the operating segments are based on the normal current service cost with all actuarial gains, losses and other adjustments being included in Intersegment and other items. Some Corporate office and certain other costs have been allocated to the respective operating segments.

Sales and operating revenues	Intersegment			Third parties		
	2000	1999	1998	2000	1999	1998
Primary Metal	\$ 1,667	\$ 1,317	\$ 1,405	\$ 2,123	\$ 1,689	\$ 1,813
Aluminum Fabrication, Americas and Asia	82	80	—	3,929	3,402	3,478
Aluminum Fabrication, Europe	289	268	—	1,854	1,524	2,485
Packaging	58	55	—	1,216	681	—
Intersegment and other items	(2,096)	(1,720)	(1,405)	26	28	13
	\$ —	\$ —	\$ —	\$ 9,148	\$ 7,324	\$ 7,789

The fabrication groups include the foil operations for 1998, which have been reclassified to the packaging segment for 1999 and 2000. Intersegment data for the fabrication groups is not available for 1998.

EBITDA	2000	1999	1998
Primary Metal	\$ 994	\$ 557	\$ 629
Aluminum Fabrication, Americas and Asia	296	349	299
Aluminum Fabrication, Europe	164	144	157
Packaging	73	43	—
EBITDA from operating segments	1,527	1,093	1,085
Depreciation and amortization	(545)	(477)	(462)
Intersegment and other items	32	182	111
Corporate office	(49)	(37)	(37)
Interest	(78)	(76)	(92)
Income taxes	(254)	(211)	(210)
Minority interest	1	(14)	4
Net income before amortization of goodwill	\$ 634	\$ 460	\$ 399
Net income after amortization of goodwill	\$ 618	\$ 460	\$ 399

Included in 1999 Intersegment and other items are a gain of \$44 from the sale of the Company's piston operations in Germany, a gain of \$37 from the sale of a portion of the Company's portfolio investment in NLM, a gain of \$19 from the sale of property in the U.K. and a gain of \$8 from the sale of a subsidiary in France.

Included in 1998 Intersegment and other items are a gain of \$146 from the sale of a portion of the Company's interest in NLM and a loss of \$143 related to the impairment of the Aughinish alumina refinery assets sold in 1999.

Included in 2000 EBITDA for Primary Metal and Packaging are \$18 and \$26 related to rationalization costs, respectively.

Included in 1999 EBITDA for Primary Metal is \$38 related to rationalization costs.

Included in 1998 EBITDA for Primary Metal; Aluminum Fabrication, Americas and Asia; and Aluminum Fabrication, Europe, groups are \$1, \$9 and \$15 related to rationalization costs, respectively.

Notes to Consolidated Financial Statements (cont'd)

(in millions of US\$, except where indicated)

22 › Information by Operating Segment (cont'd)

Total assets at December 31	2000	1999	1998
Primary Metal	\$ 7,772	\$ 4,793	\$ 4,351
Aluminum Fabrication, Americas and Asia	2,949	2,848	2,534
Aluminum Fabrication, Europe	3,326	1,299	2,178
Packaging	3,712	405	—
Cash and other corporate items	648	504	838
	\$18,407	\$ 9,849	\$ 9,901

	Depreciation and amortization			Capital expenditures		
	2000	1999	1998	2000	1999	1998
Primary Metal	\$ 243	\$ 232	\$ 227	\$ 1,114	\$ 907	\$ 475
Aluminum Fabrication, Americas and Asia	154	140	121	365	303	317
Aluminum Fabrication, Europe	76	67	104	110	60	78
Packaging	62	28	—	97	20	—
Intersegment and other items	10	10	10	49	8	7
	\$ 545	\$ 477	\$ 462	\$ 1,735	\$ 1,298	\$ 877

23 › Prior Year Amounts

Certain prior year amounts have been reclassified to conform with the 2000 presentation.

24 › Subsequent Event – Acquisition of 30% of Gove Alumina Refinery

In January 2001, the Company acquired the remaining 30% of the Gove alumina refinery and related bauxite mine at a cost of \$362, subject to certain post-closing adjustments which would require the payment of additional amounts of up to \$30. As a result of this transaction, the Company now owns 100% of these assets.

Eleven-Year Summary

		2000	1999	1998
Consolidated Income Statement Items (in millions of US\$)	Sales and operating revenues	9,148	7,324	7,789
	Other income	96	179	231
	Cost of sales and operating expenses	7,113	5,695	6,076
	Depreciation and amortization	545	477	462
	Selling, administrative and general expenses	405	375	448
	Research and development expenses	81	67	70
	Interest	78	76	92
	Other expenses	139	127	219
	Income taxes	254	211	210
	Equity income (loss)	4	(1)	(48)
	Minority interests	1	(14)	4
	Net income (Loss) before amortization of goodwill and extraordinary item	634	460	399
	Amortization of goodwill	16	—	—
	Net income (Loss) before extraordinary item	618	460	399
	Extraordinary gain (Loss)	—	—	—
	Net income (Loss)	618	460	399
	Net income (Loss) attributable to common shareholders	608	451	389
Consolidated Balance Sheet Items (in millions of US\$)	Operating working capital	1,968	1,307	1,682
	Capital assets – net	13,032	6,434	5,897
	Total assets	18,407	9,849	9,901
	Total debt	4,608	1,489	1,789
	Deferred income taxes	1,227	781	747
	Preference shares	160	160	160
	Common shareholders' equity	8,867	5,381	5,359
Per Common Share (in US\$)	Net income (Loss) before amortization of goodwill and extraordinary item	2.50	2.06	1.71
	Net income (Loss) before extraordinary item	2.45	2.06	1.71
	Net income (Loss)	2.45	2.06	1.71
	Dividends paid	0.60	0.60	0.60
	Common shareholders' equity	27.89	24.65	23.71
	Market price – NYSE close	34.19	41.38	27.06
Operating Data (in thousands of tonnes except for LME price)	Consolidated aluminum shipments			
	Ingot products (includes primary and secondary ingot, trading and scrap)	974	859	829
	Rolled products	1,855	1,609	1,603
	Aluminum used in engineered products and packaging	352	302	220
	Total fabricated products	2,207	1,911	1,823
	Conversion of customer-owned metal	328	315	289
	Total aluminum volume	3,509	3,085	2,941
	Consolidated primary aluminum production	1,562	1,518	1,481
	Consolidated aluminum purchases	1,670	1,297	1,227
	Consolidated aluminum inventories (end of year)	568	477	469
	Primary aluminum capacity			
	Consolidated subsidiaries	1,899	1,583	1,706
	Total consolidated subsidiaries and related companies	1,899	1,583	1,706
	Average three-month LME price (US\$ per tonne)	1,567	1,388	1,379
Other Statistics	Cash from operating activities (in millions of US\$)	1,066	1,182	739
	Cash from (used for) financing activities (in millions of US\$)	781	(629)	(95)
	Cash from (used for) investment activities (in millions of US\$)	(2,083)	(838)	(656)
	Capital expenditures (in millions of US\$)	1,735	1,298	877
	Ratio of total borrowings to equity (%)	33:67	21:79	24:76
	Average number of employees (in thousands)	37	38	36
	Common shareholders – registered (in thousands at end of year)	19	20	20
	Common shares outstanding (in millions at end of year)	318	218	226
	Registered in Canada (%)*	76	61	60
	Registered in the United States (%)	24	39	39
	Registered in other countries (%)	—	—	1
	Return on average common shareholders' equity (%)	10	9	7

* Shares held by former algroup shareholders are registered in Canada.

1997	1996	1995	1994	1993	1992	1991	1990
7,777	7,614	9,287	8,216	7,232	7,596	7,748	8,757
88	75	100	109	75	69	82	162
6,005	5,919	7,247	6,740	6,002	6,300	6,455	6,996
436	431	447	431	443	449	429	393
444	422	484	528	551	596	635	659
72	71	76	72	99	125	131	150
101	125	204	219	212	254	246	197
54	88	61	95	106	118	163	65
248	212	326	112	(13)	(17)	(104)	126
(33)	(10)	(3)	(29)	(12)	53	89	211
(4)	(1)	4	(3)	1	(5)	—	(1)
468	410	543	96	(104)	(112)	(36)	543
—	—	—	—	—	—	—	—
468	410	543	96	(104)	(112)	(36)	543
17	—	(280)	—	—	—	—	—
485	410	263	96	(104)	(112)	(36)	543
475	394	239	75	(122)	(135)	(56)	521
1,483	1,461	1,731	1,675	1,314	1,460	1,717	1,842
5,458	5,470	5,672	5,534	6,005	6,256	6,525	6,167
9,374	9,228	9,736	10,003	9,812	10,154	10,843	10,681
1,515	1,516	1,985	2,485	2,652	2,794	3,024	2,648
969	996	979	914	888	955	1,126	1,092
203	203	353	353	353	353	212	212
4,871	4,661	4,482	4,308	4,096	4,266	4,730	4,942
2.02	1.74	2.30	0.34	(0.54)	(0.60)	(0.25)	2.33
2.02	1.74	2.30	0.34	(0.54)	(0.60)	(0.25)	2.33
2.09	1.74	1.06	0.34	(0.54)	(0.60)	(0.25)	2.33
0.60	0.60	0.45	0.30	0.30	0.45	0.86	1.12
21.43	20.57	19.84	19.17	18.28	19.06	21.17	22.19
27.63	33.63	31.13	25.38	20.75	17.63	20.00	19.50
858	810	801	897	887	870	866	857
—	—	—	—	—	—	—	—
1,694	1,539	1,733	1,763	1,560	1,389	1,333	1,488
276	258	225	189	91	206	145	81
2,828	2,607	2,759	2,849	2,538	2,465	2,344	2,426
1,429	1,407	1,278	1,435	1,631	1,612	1,695	1,651
1,254	1,003	1,365	1,350	865	675	591	646
451	408	449	435	403	418	463	447
1,558	1,561	1,561	1,561	1,711	1,711	1,676	1,685
1,695	1,698	1,712	1,712	1,862	1,862	1,827	1,836
1,620	1,536	1,830	1,500	1,161	1,278	1,333	1,636
719	981	1,044	65	444	465	659	760
(46)	(700)	(744)	(191)	(172)	(44)	197	433
(587)	178	(273)	71	(339)	(450)	(857)	(1,245)
641	482	441	356	370	474	880	1,367
23:77	23:77	29:71	35:65	37:63	37:63	37:63	33:67
33	34	39	42	46	49	54	57
21	22	23	26	28	32	34	38
227	227	226	225	224	224	223	223
61	61	61	55	59	69	68	54
39	39	38	44	40	30	31	44
—	—	1	1	1	1	1	2
10	9	5	2	(3)	(3)	(1)	11

See note 4 to the consolidated financial statements for U.S. GAAP information.

Quarterly Financial Data

(in millions of US\$, except where indicated)

(unaudited)	First	Second	Third	Fourth	Year
2000					
Revenues	\$ 1,979	\$ 2,063	\$ 2,004	\$ 3,198	\$ 9,244
Cost of sales and operating expenses	1,454	1,560	1,530	2,569	7,113
Depreciation and amortization	116	114	120	195	545
Income taxes	104	88	34	28	254
Other items	131	148	139	280	698
Net income before amortization of goodwill	174	153	181	126	634
Amortization of goodwill	—	—	—	16	16
Net income ⁽¹⁾	\$ 174	\$ 153	\$ 181	\$ 110	\$ 618
Dividends on preference shares	2	3	2	3	10
Net income attributable to common shareholders	\$ 172	\$ 150	\$ 179	\$ 107	\$ 608
Net income per common share before amortization of goodwill	\$ 0.78	\$ 0.70	\$ 0.85	\$ 0.39	\$ 2.50
Amortization of goodwill per common share	—	—	—	0.05	0.05
Net income per common share (in US\$) ⁽²⁾	\$ 0.78	\$ 0.70	\$ 0.85	\$ 0.34	\$ 2.45
Net income under U.S. GAAP ⁽³⁾	\$ 171	\$ 152	\$ 179	\$ 104	\$ 606
1999					
Revenues	\$ 1,841	\$ 1,835	\$ 1,884	\$ 1,943	\$ 7,503
Cost of sales and operating expenses	1,468	1,396	1,390	1,441	5,695
Depreciation and amortization	118	117	116	126	477
Income taxes	34	69	71	37	211
Other items	183	182	149	146	660
Net income ⁽¹⁾	\$ 38	\$ 71	\$ 158	\$ 193	\$ 460
Dividends on preference shares	3	1	3	2	9
Net income attributable to common shareholders	\$ 35	\$ 70	\$ 155	\$ 191	\$ 451
Net income per common share (in US\$) ⁽²⁾	\$ 0.16	\$ 0.32	\$ 0.71	\$ 0.87	\$ 2.06
Net income under U.S. GAAP ⁽³⁾	\$ 38	\$ 67	\$ 160	\$ 190	\$ 455
1998					
Revenues	\$ 1,971	\$ 2,005	\$ 1,960	\$ 2,084	\$ 8,020
Cost of sales and operating expenses	1,497	1,549	1,514	1,516	6,076
Depreciation and amortization	110	113	116	123	462
Income taxes	78	76	44	12	210
Other items	169	181	179	344	873
Net income ⁽¹⁾	\$ 117	\$ 86	\$ 107	\$ 89	\$ 399
Dividends on preference shares	3	2	3	2	10
Net income attributable to common shareholders	\$ 114	\$ 84	\$ 104	\$ 87	\$ 389
Net income per common share (in US\$) ⁽²⁾	\$ 0.50	\$ 0.37	\$ 0.46	\$ 0.38	\$ 1.71
Net income under U.S. GAAP ⁽³⁾	\$ 117	\$ 94	\$ 103	\$ 103	\$ 417

(1) The second quarter of 2000 includes an after-tax gain of \$6 from disposal of property, a gain of \$10 from the demutualization of the Company's life insurance providers and a favourable tax adjustment of \$8 for the revaluation of deferred taxes. This is offset in part by a non-operating exceptional provision of \$9 in the U.S., merger costs of \$4 and rationalization costs of \$2. The third quarter of 2000 includes favourable tax adjustments of \$46, including the revaluation of deferred taxes, partially offset by asset write-offs of \$12. The fourth quarter of 2000 includes non-cash merger charges related to the merger with Alusuisse Group Ltd of \$60, rationalization charges in respect of the closure of foil operations at Rogerstone in the U.K. of \$18, asset write-offs of \$6, partially offset by favourable tax adjustments of \$21, including the revaluation of deferred taxes.

The first quarter of 1999 included an unfavourable tax adjustment of \$9 for the revaluation of deferred taxes. The second quarter of 1999 included an after-tax gain of \$26 on the sale of the Company's piston operations in Germany, a restructuring charge of \$20 relating to the Company's Full Business Potential program and an unfavourable tax adjustment of \$12 for the revaluation of deferred taxes. The third quarter of 1999 included after-tax gains on the sale of businesses, principally a further sale of shares in NLM in Japan and the Company's building products business in France, totalling \$47, as well as rationalization costs of \$5 in Primary Metal and an unfavourable tax adjustment of \$2 for the revaluation of deferred taxes. The fourth quarter of 1999 included a favourable tax adjustment in Canada relating to prior periods of \$28, including the revaluation of deferred taxes, a gain on disposal of property, principally in the U.K. of \$17, offset in part by \$8 from rationalization costs in the U.K. and Jamaica.

The first quarter of 1998 included an after-tax charge of \$17 related to Alcan's share of construction contract losses, restructuring costs and operating losses at NLM in Japan. The second quarter of 1998 included an after-tax charge of \$27 related to Alcan's share of restructuring costs and operating losses at NLM. The third quarter of 1998 included an after-tax gain of \$20 for exchange revaluation of the Company's accumulated deferred tax liability, after-tax charges of \$7 for rationalization costs in Europe and \$9 for equity losses in NLM. The fourth quarter of 1998 included an after-tax gain of \$140 from the sale of a portion of the Company's investment in NLM, an after-tax loss of \$120 from the write-down for impairment of the Aughinish alumina refinery assets sold in 1999, an after-tax gain of \$8 principally from the sale of Handy Chemicals Ltd., \$9 from rationalization costs in Europe and Asia, and a favourable tax adjustment of \$11 for the revaluation of deferred taxes.

(2) Net income per common share calculations are based on the average number of common shares outstanding in each period.

(3) See note 4 to the consolidated financial statements for explanation of differences between Canadian and U.S. GAAP.

Corporate Governance

The business and affairs of Alcan are managed by its Board of Directors acting through the Management of the Company. The Directors and Officers of Alcan are named on the following page. In discharging its duties and obligations, the Alcan Board acts in accordance with the provisions of the Canada Business Corporations Act, the Company's constituting documents and by-laws and other applicable legislation and Alcan policies.

Alcan does not have a controlling shareholder.

Corporate governance has traditionally received the active attention of Alcan's Board. For instance, an intensive review of the guiding principles of Alcan conducted by the Board in the 1970s led to the publication in 1978 of a policy statement entitled *Alcan, Its Purpose, Objectives and Policies*. This statement set forth a series of basic business principles to guide Alcan employees in conducting a widespread international enterprise and helped Alcan achieve public understanding and trust. These principles are now found in Alcan's *Code of Conduct*, which provides detailed ethical guidelines for Alcan employees as well as consultants and contractors engaged by Alcan.

The Toronto Stock Exchange now requires a formal description of corporate governance practices by all listed companies. Alcan's disclosure in this regard is published in the Management Proxy Circular issued in connection with the forthcoming Annual Meeting; a copy is available from CIBC Mellon Trust Company at the address on page 79.

Committees of the Board (described briefly at right) assist the Board in carrying out its functions and make recommendations to it on various matters. Membership of these Committees is indicated on the following page.

The Corporate Governance Committee has the responsibility for reviewing Board practices and performance, candidates for directorship and Board Committee membership. It also considers recommendations from the Personnel Committee regarding Board compensation and the appointments of the Chairman of the Board and the Chief Executive Officer.

The Audit Committee assists the Board in fulfilling its functions relating to corporate accounting and reporting practices as well as financial and accounting controls in order to provide effective oversight of the financial reporting process; it also reviews financial statements as well as proposals for issues of securities.

The Environment Committee has the responsibility for reviewing policy, management practices and performance of Alcan in environmental matters.

The Personnel Committee has the responsibility for reviewing all personnel policy and employee relations matters (including compensation), and for making recommendations to the Corporate Governance Committee on Board compensation and on the appointments of the Chairman of the Board and the Chief Executive Officer.

A special committee composed of members of the Personnel Committee administers the Alcan Executive Share Option Plan.

Directors and Officers

(As at February 26, 2001)

Directors

John R. Evans, C.C.^{1, 3, 5, 8}

Chairman of the Board,
Montreal

Age 71, director since 1986

W. R. C. Blundell, O.C.^{1, 3, 7}

Director of various companies, Toronto

Age 73, director since 2000 and formerly
from 1987 to 1999

Martin Ebner^{3, 7}

Chairman, BZ Group Holding Limited,
Wilen, Switzerland

Age 55, director since 2000

Travis Engen^{*4, 7}

Chairman and Chief Executive,
ITT Industries, Inc., New York

Age 56, director since 1996

Rupert Gasser¹

Executive Vice President,
Nestlé S.A., Vevey, Switzerland

Age 62, director since 2000

Dr. Willi Kerth⁵

Director, Alusuisse Swiss
Aluminium Ltd., Neuhausen,
Switzerland

Age 64, director since 2000

J. E. Newall, O.C.^{3, 6, 7}

Chairman, NOVA Chemicals
Corporation, Calgary
Age 65, director since 1985

Dr. Peter H. Pearse, C.M.⁵

Natural resources consultant,
Vancouver
Age 68, director since 1989

Guy Saint-Pierre, O.C.^{2, 7}

Chairman, SNC-Lavalin Group Inc.,
Montreal
Age 66, director since 1994

Gerhard Schulmeyer¹

President and Chief Executive Officer,
Siemens Corp., New York
Age 62, director since 1996

Paul M. Tellier, C.C.¹

President and Chief Executive Officer,
Canadian National Railway Company,
Montreal
Age 61, director since 1998

Officers

W. R. C. Blundell*

Interim President and
Chief Executive Officer

Robert L. Ball

Executive Vice President,
President, Rolled Products, Europe

Richard B. Evans

Executive Vice President,
President, Aluminum Fabrication, Europe

Emery P. LeBlanc

Executive Vice President,
President, Primary Metal

Brian W. Sturgell

Executive Vice President,
*President, Aluminum Fabrication,
Americas and Asia*

Suresh Thadhani

Executive Vice President and
Chief Financial Officer

Henk van de Meent

Executive Vice President,
President, Global Packaging

Kurt Wolfensberger

Executive Vice President,
President, Engineered Products, Europe

Cynthia Carroll

Vice President,
*President, Bauxite, Alumina and
Specialty Chemicals*

Daniel Gagnier

Senior Vice President,
Corporate and External Affairs**

David McAusland

Senior Vice President, Mergers and
Acquisitions, Chief Legal Officer
and Secretary

Gaston Ouellet

Senior Vice President,
Human Resources

Glenn R. Lucas

Vice President and Treasurer

Richard Genest

Vice President and Controller

¹ Member of Audit
Committee

² Chairman of Audit
Committee

³ Member of Personnel
Committee

⁴ Chairman of Personnel
Committee

⁵ Member of Environment
Committee

⁶ Chairman of Environment
Committee

⁷ Member of Corporate
Governance Committee

⁸ Chairman of Corporate
Governance Committee

* On February 26, 2001, Alcan announced the appointment of Mr. Travis Engen as President and Chief Executive Officer, effective March 12, 2001.

** Including Environment, Health and Safety.

Shareholder Information

Common Shares

The principal markets for trading in Alcan's common shares are the New York and Toronto stock exchanges. The common shares are also traded on the London, Frankfurt and Swiss stock exchanges.

The transfer agents for the common shares are CIBC Mellon Trust Company in Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver, Mellon Investor Services L.L.C. in New York, and CIBC Mellon Trust Company in England.

Common share dividends are paid quarterly on or about the 20th of March, June, September and December to shareholders of record on or about the 20th of February, May, August and November, respectively.

Preference Shares

The preference shares are listed on the Toronto Stock Exchange. The transfer agent for the preference shares is CIBC Mellon Trust Company.

Investment Plans

The Company offers holders of common shares two convenient ways of buying additional Alcan common shares without payment of brokerage commissions. These are known as the Dividend Reinvestment Plan and the Share Purchase Plan. Copies of the prospectus describing these Plans may be obtained from CIBC Mellon Trust Company at the address below.

Securities Reports for 2000

The Company's Annual Information Form, to be filed with the Canadian securities commissions, and the annual 10-K report, to be filed with the Securities and Exchange Commission in the United States, will be available to shareholders after April 1, 2001. Copies of both may be obtained from CIBC Mellon Trust Company at the address below.

	Dividend	Prices* and Average Daily Trading Volumes									
		New York Stock Exchange (US\$)					Toronto Stock Exchange (CAN\$)				
	US\$	High	Low	Close	Avg. Daily Volume	High	Low	Close	Avg. Daily Volume		
2000											
Quarter											
First	0.150	45 ^{15/16}	30 ^{4/16}	34 ^{1/16}	1,364,008	67.25	44.30	48.55	944,659		
Second	0.150	35 ^{10/16}	29 ^{1/16}	31	1,189,854	52.50	42.90	46.00	827,276		
Third	0.150	35 ^{4/16}	28 ^{3/16}	28 ^{15/16}	983,691	52.00	41.95	43.70	859,522		
Fourth	0.150	35 ^{3/16}	28 ^{3/16}	34 ^{3/16}	1,652,341	53.00	42.50	51.35	1,221,086		
Year	0.600										
1999											
Quarter											
First	0.150	30 ^{14/16}	22 ^{15/16}	25 ^{13/16}	548,364	46.45	34.15	38.85	657,380		
Second	0.150	33 ^{12/16}	25 ^{15/16}	31 ^{15/16}	806,756	49.50	38.80	46.75	819,628		
Third	0.150	36 ^{15/16}	29 ^{3/16}	31 ^{4/16}	806,492	54.90	43.05	46.10	632,561		
Fourth	0.150	42	30 ^{12/16}	41 ^{6/16}	913,348	61.00	45.25	59.40	614,803		
Year	0.600										

* The share prices are those reported as "New York Stock Exchange - Consolidated Trading" and reported by The Toronto Stock Exchange.

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Glossary

Industry-related terms

Alloy

A substance with metallic properties, composed of two or more chemical elements of which at least one is a metal, such as aluminum, and produced to have certain specific characteristics.

Alumina

Most alumina is a white, powdery substance produced from bauxite by a chemical process during which aluminum oxide is extracted from the ore. Between four and five tonnes of bauxite are required to produce about two tonnes of alumina, which yield one tonne of aluminum.

Aluminum

Although aluminum is the most common metal on earth, constituting 8% of the earth's crust, it is never found in its pure form. Aluminum metal is produced by separating aluminum from oxygen in alumina.

Bauxite

The most economic source of aluminum is bauxite, an ore or rock composed of hydrous aluminum oxides and aluminum hydroxides. It is predominantly found in tropical and sub-tropical regions.

Chemicals

Chemical-grade alumina (alumina hydrate) is the starting material for a wide variety of specialty chemical products.

Engineered Products

A basic aluminum fabricated product that has been mechanically, and at times thermally, altered to create special properties for specific purposes. Castings, composites, extrusions and/or components for various systems or end-use markets are examples.

Fabricated Products

Generally, fabricated products are rolled products (such as sheet) as well as rod, wire and cable, extruded and drawn products, castings and other engineered products.

Foil

Foil is a thin sheet of metal, around 0.006 inch (0.15 millimeter) thick or less, and is widely used in the packaging, household and industrial markets.

Ingot

A cast form suitable for fabricating or remelting. Sometimes called sheet ingot, foundry ingot or an extrusion billet, ingots and billets can be produced in a wide range of alloys and purity levels and in different shapes and sizes.

Litho Sheet

Aluminum sheet is widely used as the metal plate on which an image is produced for lithographic printing.

London Metal Exchange (LME)

The LME is a metals trading centre for the Western World. The LME also determines the metal price (per tonne) for aluminum trading for current and future delivery.

Packaging

A range of flexible and specialty packaging is produced from aluminum, paper, plastic, glass, paperboard and laminated products and serves the food, pharmaceutical, cosmetics/personal care, and tobacco businesses.

Recycled Metal

Aluminum ingot can be made by remelting used beverage cans (UBCs) or any other post-consumer scrap, as well as customer process scrap. Recycling aluminum only requires about 5% of the energy required to produce primary metal.

Rolled Products

At rolling mills, sheet ingots are reduced in thickness by passing them between rollers in a series of reversing hot mills and, finally, in a cold mill. Sheet is primarily used for the container, lithography, transportation and building end-use markets.

Smelting

Primary aluminum is produced through the electrolytic reduction of alumina. The molten aluminum is cast into ingots and then fabricated into a variety of products.

Tolling

The activity of rolling or converting customer-owned metal or alumina is called tolling.

Financial Terms

EBITDA

Earnings Before Interest, Taxes, Depreciation and Amortization.

EVA®, Economic Value Added

A registered trademark of Stern Stewart & Co. and is a key measure of performance. The term means the difference between the return on capital and the cost for using that capital over the same period.

Return on average common shareholders' equity (at times referred to as ROE, or Return on Equity)

Net income after preference share dividends, expressed as a percentage of average common shareholders' equity.

Definitions

The word "Alcan" or "Company" means Alcan Inc. (formerly Alcan Aluminium Limited) and, where applicable, one or more consolidated subsidiaries. A "subsidiary" is a company controlled by Alcan. A "joint venture" is an association (incorporated or unincorporated) of companies jointly undertaking some commercial enterprise and proportionately consolidated to the extent of Alcan's participation. A "related company" is one in which Alcan has significant influence over management but owns 50% or less of the voting stock. The "Alcan Group" refers to Alcan Inc., its subsidiaries, joint ventures and related companies. "algroup" means Alusuisse Group Ltd.

In this report, unless stated otherwise, all dollar amounts are stated in United States dollars and all quantities in metric tons, or tonnes. A tonne is 1,000 kilograms, or 2,204.6 pounds.

The following abbreviations are used:

/t	per tonne
kt	thousand tonnes
kt/y	thousand tonnes per year
Mt	million tonnes
Mt/y	million tonnes per year

Visit Alcan's Web Site:

www.alcan.com

Further information on Alcan, its policies and its activities, is available on Alcan's Internet site and contained in various Company publications. Copies of its policies and publications are also available by writing to the address on the back cover.

Version française

Pour obtenir la version française de ce rapport, veuillez écrire à la Compagnie Trust CIBC Mellon dont l'adresse figure à la page 79.

Annual Meeting

The Annual Meeting of the holders of common shares of Alcan Inc. will be held on Thursday, April 26, 2001. The meeting will take place at 10:00 a.m. (EDT) in the Assembly Hall, International Civil Aviation Organization, Atrium Entrance, 999 University Street, Montreal, Quebec, Canada.



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